

Annual Report of the Board of Directors for the financial year 2023

Reporting date: 31 December 2023

- **ZENTIVA SA**
- **Registered office:** Bd. Theodor Pallady nr.50, Bucharest
- **Phone / Fax:** 021.304.72.00, 021.304.75.00 / 021.345.40.04
- **No. and registration date with the Trade Registry Office:** J40/363/1991
- **Tax Identification Number:** RO 336206
- **Class, type, no. and main characteristics of securities:** 697,017,040 dematerialized class I shares;
- **Regulated market wherein trading is performed:** Bucharest Stock Exchange;
- **Market value:** RON 2,92 / share representing the reference price on the last trading day of 2023.

Market capitalization as at the 31 December 2023: RON 2,035,289,757.



1. STOCKS AND SHAREHOLDERS

ZENTIVA SA (hereinafter, the “Company”) was established in 1962 under the name Intreprinderea de Medicamente Bucuresti (hereinafter “IMB”).

In 1990, the Company was incorporated, taking over the entire patrimony of the former IMB in accordance with the Government Decision.

In November 1999, the majority shareholding was taken over by the group of institutional investors consisting of the European Bank for Reconstruction and Development, the Post-Privatization Foundation, GED Eastern Fund, Euro Merchant Balkan Fund, Black Sea Fund and Galenica North East through the Cypriot company Venoma Holdings Limited.

On 27 June 2002, the Extraordinary General Shareholders’ Meeting approved the increase in the share capital by the amount of former RON 277,974,100,000 (equivalent of RON 27,797,410), and from the amount of former RON 138,987,050,000 (equivalent of RON 13,898,705), respectively, to the value of former RON 416,961,150,000 (equivalent of RON 41,696,115), by granting of 2 free share for each share held by the shareholders recorded with the Shareholders Register as at the reference date 30 May 2002.

On 12 October 2005, Zentiva N.V., a Dutch company seated in Amsterdam, the Netherlands, with branches in several European countries, purchased the stocks of Venoma.

In October 2005, Zentiva NV made a public offer regarding the purchase of the shares of issuer Sicomed SA, subsequently renamed as Zentiva SA, for the amount of RON 1.37 / share, during the period 9 November 2005 – 12 January 2006.

In March 2009, Sanofi - Aventis Europe announced it had become a shareholder of Zentiva N.V., holding approximately 96.8% of shares.

In August 2009, Sanofi-Aventis Europe made a public offer for the purchase of the shares of issuer Zentiva SA, for the amount of RON 0.7/share, during the period 12 August 2009 – 22 August 2009. Between 20 February 2018 and 5 April 2018, Sanofi-Aventis Europe, through Zentiva N.V., conducted a public purchase offer at a price of RON 3.50 per share, acquiring 48,216,352 shares, and reaching a shareholding of 93.2295% of the share capital of the Company.

On 31 August 2018 the transfer of shares from Venoma Holdings Limited, ZENTIVA NV and Sanofi Aventis Europe to Zentiva Group a.s. was registered. Therefore, Zentiva Group a.s. became a shareholder of Zentiva SA (holding of 93.2295% of the share capital).

On 30 September 2018, the transfer of shares was finalized between Zentiva N.V. (100% owned and controlled by Sanofi Aventis Europe), as seller, and AI Sirona BidCo s.r.o. (100% owned and controlled by AI Sirona [Luxembourg] Acquisition S. à r.l., a company which is, in its turn, entirely owned by AI Sirona [Luxembourg] Subco S. à r.l. and ultimately controlled by Advent Funds GPE VIII, a fund managed by Advent International Corporation), as buyer, by which the control over Zentiva Group a.s. was transferred. On 31 December 2018, Zentiva Group a.s. held 388,730,877 shares, representing 93.2295% of the share capital of the Company.

Between 18 December 2018 – 11 January 2018, Zentiva Group a.s. conducted a mandatory public offer for purchase at a price of RON 3.7472 per share, acquiring 200,333 shares, and reaching a shareholding of 388,931,210 shares representing 93.2776% of the share capital of the Company.

Between 5 July 2019 – 5 August 2019 (subscription period), the Company performed the share capital increase by granting preference rights, by issuing 300,000,000 new shares, with a nominal value of RON 0.1 / share, which were offered for subscription to the shareholders recorded with the Shareholders Register of the Company held by Depozitarul Central SA, as at the registration date 16 May 2019.



1. SHARES AND SHAREHOLDERS (continued)

Following the subscriptions made, out of the total number of 300,000,000 new shares, 19,944,110 shares were not subscribed and were cancelled in accordance with the provisions of the decision of the Extraordinary General Meeting of the Shareholders of the Company dated 30 April 2019.

After the share capital increase, the share capital of the Company is RON 69,701,704 (compared to RON 41,696,115 prior to the increase), being divided into 697,017,040 nominative shares with a value of RON 0.1 each, and is held as follows:

- the shareholder Zentiva Group a.s. holds 668,778,101 shares, representing 95.9486% of the Company's share capital;
- other natural and legal persons hold 28,238,939 shares, representing 4.0514% of the Company's share capital.

The synthetic shareholding structure as of 31 December 2023 remained identical to the one as of 31 December 2022, i.e.:

Shareholding structure	31 December 2023 (%)	31 December 2022 (%)
Zentiva Group a.s.*	95.9486	95.9486
Other minority shareholders	4.0514	4.0514
Total	100	100

Source: Depozitarul Central

*On 31 December 2019, the company Zentiva Group a.s. merged with the company AI Sirona Bidco s.r.o., the latter being the sole shareholder of Zentiva Group a.s. Following the merger, the company Zentiva Group a.s. ceased to exist, its entire assets being transferred to the company AI Sirona Bidco s.r.o., which, as of 31 December 2019 also, changed its legal form from a limited liability company ("s.r.o.") to a joint stock company ("a.s."), as well as the name from AI Sirona Bidco s.r.o. to Zentiva Group a.s.

The Company's shares have been listed on the Standard category of the Bucharest Stock Exchange since 1998.

Out of the total number of 697,017,040 shares, 696,833,149 shares are being traded on the capital market, with the remaining 183,891 shares being held by Zentiva SA.

The Company did not trade its own stocks during 2023.

The market capitalization of the Zentiva SA shares as at the 31 December 2023 amounted to RON 2,035,289,757 (2022: RON 1,352,213,058).

As of 31 December 2023, the price per share was RON 2.92 / share (2022: RON 1.94 / share).

As of 31 December 2023, the Company has net assets of RON 1,191,262,465 which represents more than 50% of the share capital of RON 69,701,704 (as of 31 December 2022, the Company had net assets of RON 999,354,559, representing more than 50% of the share capital of RON 69,701,704) which is in compliance with the requirements of Romanian Company Law (Law no. 31/1990, as amended and supplemented). As of 31 December 2023, the Company did not set a legal reserve. As of 31 December 2023, the level of legal reserves reached the threshold of 20% of the Company's share capital, in accordance with the Companies Law.

Company mergers and re-organizations

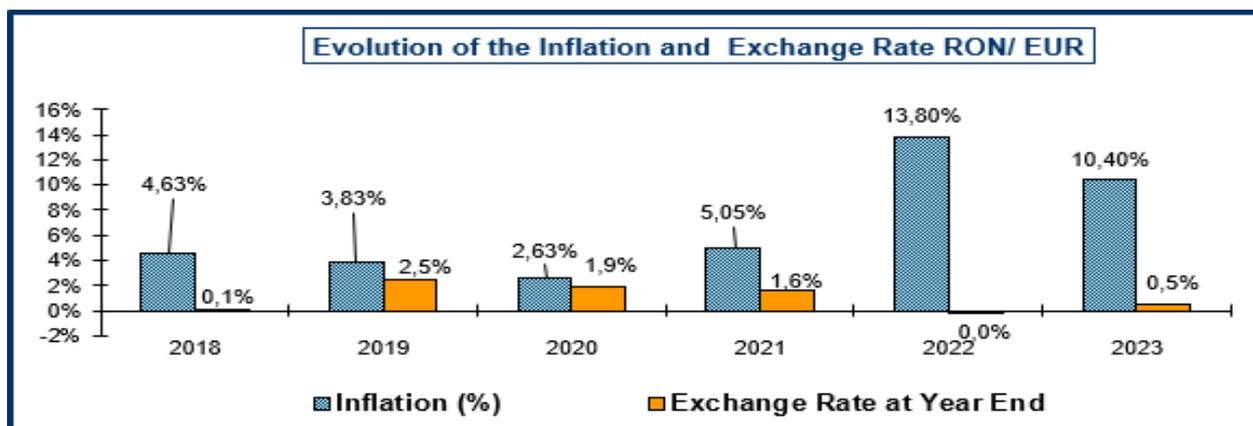
In 2023 the Company did not undergo any mergers or re-organizations.



2. ECONOMIC & FINANCIAL ENVIRONMENT

Evolution of the macroeconomic indicators in Romania

The inflation rate had significant fluctuations, from 4.6% in 2018, to 10.4% in 2023. In 2023, the national currency depreciated against the EUR by 0.5%, from RON / EUR 4.9474 at 31 December 2022 to RON / EUR 4.9746 at 31 December 2023.



Source: National Institute of Statistics and NBR

Pharmaceutical industry

The Romanian pharmaceutical market, including prescription-based and over-the-counter medicines, recorded in 2023 a growth rate of 14.1% (in value) versus the previous year, reaching the level of EUR 6.224 million (according to the sell-in information provided by the market research agency IQVIA in December 2023).

According to IQVIA, the Romanian generic medicines market grew also in 2023 by 16.7% (in value), reaching the level of EUR 1.174 million, according to IQVIA.

3. COMPANY'S ACTIVITY IN 2023

For 2023, ZENTIVA SA reports a turnover of MRON 953.6 with an increase of 25.5% compared to the previous year, and an operational profit of 192.6 MRON, with an increase of 93.7%, compared to the previous period, mainly due to the increase in sales of goods (27%) and services (8%) and the increase in the financial result (30%).

In 2023, the achieved production volume was higher by 5.5 million commercial units than the 2022 production, representing an increase of 4.5%.

The Company closed the year 2023 with a net profit of RON 192,615,832.

The most important achievements in 2023 were the following:

- Successful completion of the transfer of 6 more products for export, manufactured locally;
- External sales accounted for 44% of the achieved 2023 production volume (136.65 million manufactured commercial units both for the Romanian market, but also for other European markets - Germany, France, Italy, Czech Republic, Slovakia, etc.).
- Investments in total amount of RON 28.3 million (EUR 5.7 million) in new production equipment & laboratories and modernization of existing ones, equipment to reduce electricity consumption and reduce the carbon footprint.



3. COMPANY'S ACTIVITY IN 2023 (continued)

3.1. Reporting base

As at the 31 December 2023, Zentiva SA prepared financial statements in accordance with Order of the Ministry of Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards applicable for companies whose securities are admitted to trading on a regulated market, with all the subsequent amendments and clarifications in force.

a. Sales – Volumes and amounts

The net turnover amounts to RON 953,633,084 as of 31 December 2023 (2022: RON 759,630,870).

The Zentiva's average selling price (finished goods and merchandise) was RON 5.99 in 2023 and RON 4.99 in 2022. The price increase is due to the change in the mix of products and to the price update in line with the increase in raw material costs and manufacturing costs.

	<u>2023</u>	<u>2022</u>
Net revenue from sales of goods (million RON)	894.1	704.7
Sold quantity (million units)	149.2	141.1
Average selling price (RON / sold unit)	5.99	4.99

Source: Zentiva, Annual Financial Report

In 2023, external sales accounted for 43.7% of total turnover (RON 417.1 million), compared to 41.1% in 2022 (RON 312.3 million). The external sales were made through Zentiva k.s. (part of Zentiva Group). The medicines were mainly intended for European Union markets.

The percentage of OTC (over the counter) products in Zentiva SA sales was 4.7% in 2023 versus 4.8% in the previous year.

The sales by types of products in 2022 – 2023 are presented below:

Product type	<u>2023</u>	<u>2022</u>
Ethical (Rx)	95.3%	95.2%
OTC	4.7%	4.8%

b. Operating expenses

Description	Million RON		Variation	
	<u>2023</u>	<u>2022</u>	%	Mn RON
Operating expenses, out of which:	769.5	676.7	14%	92.8
Raw materials, materials and merchandise (including consumables)	451.6	370.7	22%	80.9
Personnel benefit expenses	162.2	135.0	20%	27.2
Depreciation, amortization and provisions for tangible and intangible assets;	31.7	30.3	5%	1.4
Other operating expenses (including marketing expenses and inventory movement)	124.0	140.6	(12)%	(16.6)
Turnover	953.6	759.6	26%	194.0
Other operating revenues	0.4	3.4	(88)%	(3.0)



3. COMPANY'S ACTIVITY IN 2023 (continued)

Expenses for raw materials, materials and merchandise have increased compared with the prior year due to the increase in the acquisition prices and of the quantity of manufactured products and merchandise sold.

Personnel benefit expenses increased by 20% in 2023, i.e., by RON 27.2 million; the number of employees was 979 at the end of 2023 and 903 employees at the end of 2022. The increase in labor costs was influenced by the internalization of employees from an external workforce supplier, but also by the increase in the employee number and by the annual indexation of wages according to Company's policy.

Other operating expenses decreased by RON 16.6 million compared to 2022, mainly due to the increase in changes in inventories and of the decrease of other expenses, influenced by the termination of the factoring agreement.

Other operating revenues decreased by RON 3.0 million compared with previous year.

c. Cash availability

The Company's cash availabilities at the end of 2023 amounted to RON 27.3 million while as of 31 December 2022 were RON 11.2 million consisting mainly of cash in banks.

d. Cash Pooling - Intercompany receivable

In 2023 and 2022 the Company participated in a cash pooling agreement with AI Sirona (Luxembourg) Acquisition SARL (the ultimate parent entity of Zentiva Group, a.s.). 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.

The Company has assessed the purpose of the cash pooling deposits held at AI Sirona (Luxembourg) Acquisition SARL and has concluded that they are held to generate an investment return. In accordance with the provisions of the cash pooling agreement at any time the Company may, by thirty days prior notice to the treasury group entity, request payment of the credit balance maintained and therefore the Company's management have assessed that the presentation as short term is appropriate

The total interest income for cash-pooling transactions during the year is in the amount of RON 37,877,564 (2022: interest income in the amount of RON 31,614,121) and is presented in Note 6.4 Financial income.

3.2. Portfolio of products and marketing market

The product portfolio of Zentiva SA includes 137 products for human use, as solids (tablets, capsules, and pellets) and injectable solutions.

a. Until 27 September 2018, the distribution activity on the local market was ensured by Sanofi Romania SRL, the exclusive distributor of the Sanofi Group on the Romanian market. After Zentiva exited Sanofi Group, the distribution activity on local market was ensured by Romanian distribution companies.

b. Zentiva is a part of Zentiva Group, which has production facilities in Czech Republic, Romania and India. The sales on the EU market were ensured by Sanofi Winthrop (part of Sanofi Group) until 30 September 2018 and by Zentiva k.s. (part of Zentiva Group) after 1 October 2018.



3. COMPANY'S ACTIVITY IN 2023 (continued)

3.3. Selection policy for suppliers of raw materials

The policy of Zentiva SA is to permanently search for suppliers that deliver high quality raw materials.

The Quality Insurance Department assesses the potential producers and the existing ones on a permanent basis. Their focus is on the quality of documentation provided by them, which is necessary for authorization purposes and the quality of the supplied products, as well as the products behavior during the technological process.

3.4. The main competitors of Zentiva SA on the local market

Zentiva SA is one of the main producers of medicines on the local market.

According to the statistical data supplied by IQVIA, Zentiva had in 2023 an average producer price of RON 15.24* (+ 22.6% increase versus the average of RON 12.34 in 2022), ensuring patient accessibility to cost-effective medication.

*the average price is computed based on IQVIA consumption data (sales on the Romanian market from pharmacy to the patients)

As a reference, the average producer price for all medicines on local pharmaceutical market was of RON 40.15 in 2023 (+ 14.3% increase versus the average of RON 35.12 in 2022).

Other local producers, well-established on the medicines market, are: Terapia Cluj, Antibiotice Iasi, Biofarm.

The main importers of pharmaceutical products are: Novartis, Sanofi, AstraZeneca, Merck Sharp Dohme and Johnson&Johnson.

3.5. Information about personnel

In 2023, Zentiva SA had an average no of employees of 956 employees (2022: 884 employees).

The employees' rights and other labor relationships are regulated by the Collective Labor Agreement. For 40% of the employees, such rights are supported by the Zentiva SA Trade Union.

3.6. Information about Company's environmental policy

The following regulatory documents related to environmental protection were applicable in 2023:

- Environmental Permit no. 234/7 May 2012, revised on 22 June 2021, with the mention that "The authorization maintains its validity for the entire period in which its beneficiary obtains the annual visa";
- Wastewater Collection Agreement no. 1521/31 August 2012, valid for an unlimited period of time;
- Water Management Authorization no. 205 - B from 5 Mai 2022, valid until 30 April 2026.

The waste management process was maintained by applying solutions for waste elimination.

The supervisory audits performed by Lloyd's Register Romania confirmed that the environmental management system, which was implemented according to EN ISO 14001:2015, and the Energy Management Systems are properly maintained.



3. COMPANY'S ACTIVITY IN 2023 (continued)

3.7. Research and development activity

The R&D expenses for 2023 were RON 6.1 million vs. RON 3.6 million in 2022 and consist in activities linked to the transfer of products. For 2024, R&D expenses are forecasted at RON 11.1 million.

3.8. Investment activity

In 2023, the Company investment expenses amounted RON 28.3 million. The objectives of the investment program, which will be continued in 2024 are to maintain the Good Manufacturing Practice Guidelines and update technologies in line with the international quality and environmental standards, and to extend the product portfolio and of new forms of packaging. The investments provided in the 2024 budget is RON 41.1 million (EUR 8.3 million).

In 2023, the financing of the investments programs was made exclusively from own sources.

4. COMPANY'S TANGIBLE ASSETS

4.1. The operating activity of Zentiva SA is located at Bd. Theodor Pallady nr.50, on the Duesti industrial platform, in the South-Eastern area of Bucharest Municipality.

4.2. The depreciation methods of the fixed assets used by the Company are the following:

- the straight-line method for buildings, fixed assets purchased under financial lease and for fixed assets other than those related to the production capacity;
- the reducing balancing method for the fixed assets in the form of equipment related to the production capacity;

The useful life and depreciation method are subject to periodic review, in order to ensure the expectations relating to the economic benefits of the assets.

As of 31 December 2022, the Company revalued the existing land and buildings in the Company's patrimony. The revaluation was made by an independent valuer in accordance with the International Valuation Standards.

The net impact following the revaluation was in the amount of RON 11,481,031, of which in the revaluation reserve it was registered the amount of RON 10,884,283.

As at 31 December 2023, the independent valuer reassessed the fair values using updated market estimates and concluded that there are no significant variations compared to the fair values estimated as at 31 December 2022.



4. COMPANY'S TANGIBLE ASSETS (continued)

Gross value and depreciation amount in 2023 comparing to year 2022 is the following:

PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery, tools and equipment	Constructions in progress	Total
Gross value 1 as of January 2023	57,988,369	56,850,095	243,245,736	24,842,447	382,926,649
Additions	-	-	-	27,977,711	27,977,711
Disposals	-	-	(2,778,659)	-	(2,778,659)
Transfers	-	2,653,043	15,107,397	(17,760,440)	-
Gross value as of 31 December 2023	57,988,369	59,503,139	255,574,474	35,059,718	408,125,701
Depreciation as of 1 January 2023	-	-	(169,722,258)	(609,878)	(170,332,137)
Depreciation in the year	(300,151)	(3,847,978)	(14,967,476)	-	(19,115,605)
Impairment	-	(929,026)	-	-	(929,026)
Other movements	10	(282)	-	-	(272)
Disposals	-	-	2,757,059	-	2,757,059
Depreciation as of 31 December 2023	(300,141)	(4,777,286)	(181,932,675)	(609,878)	(187,619,981)
Net book value as of 31 December 2023	57,688,228	54,725,853	73,641,700	34,449,840	220,505,720

	Land	Buildings	Machinery, tools and equipment	Constructions in progress	Total
Gross value 1 as of January 2022	53,101,955	58,589,228	246,394,324	5,809,384	363,894,891
Additions	-	-	-	27,109,730	27,109,730
Impact through revaluation reserve	5,137,903	5,746,380	-	-	10,884,283
Impact from revaluation in profit and loss	-	596,748	-	-	596,748
Cancelled depreciation after reevaluation	(251,261)	(8,411,308)	-	-	(8,662,569)
Disposals	(229)	-	(10,896,206)	-	(10,896,435)
Transfers	-	329,048	7,747,618	(8,076,666)	-
Gross value as of 31 December 2022	57,988,369	56,850,095	243,245,736	24,842,447	382,926,649
Depreciation as of 1 January 2022	(14,191)	(2,688,781)	(165,810,418)	(609,878)	(169,123,268)
Depreciation in the year	(237,069)	(5,722,527)	(14,926,955)	-	(20,886,552)
Cancelled depreciation after reevaluation	251,261	8,411,308	-	-	8,662,569
Other movements	-	-	125,195	-	125,195
Disposals	-	-	10,889,920	-	10,889,920
Depreciation as of 31 December 2022	-	-	(169,722,258)	(609,878)	(170,332,137)
Net book value as of 31 December 2022	57,988,369	56,850,095	73,523,478	24,232,570	212,594,512



5. COMPANY'S MANAGEMENT

5.1. Board of Directors

As at 31 December 2023, the Board of Directors had the following composition:

- **Simona Cocos**
- **Member of the Board – Starting April 2010**
- **President of the Board – Starting August 2021**

Born in 1967, she graduated from the Faculty of Chemistry in 1992. In 2006 she obtained a Professional Diploma in Management at Open University (UK) / Codecs Romania and in 2008 she graduated from a MBA program in Business / Economics at Open University (UK).

Starting 1995 she held several positions at Sanofi Romania, the last ones being: Marketing Manager, and Marketing Director, respectively.

Margareta Tanase

Member of the Board – Starting April 2010

Born in 1960, she graduated the Faculty of Chemistry – Polytechnic Institute Bucharest in 1989.

Starting 2000 she held several positions at Sicomed / Zentiva, the last ones being: Regulatory Affairs Manager, and Regulatory Affairs and Medical Director, respectively.

Kenneth Lynard

Member of the Board – Starting October 2019

Born in 1968, Kenneth holds a MSc in Auditing & Accounting from Copenhagen Business School (Denmark) and an Executive MBA from IMD, Lausanne (Switzerland).

Earlier in his career, Kenneth was the CFO for Europe, Middle East, Africa and Canada at Medtronic, one of the world's largest medical device companies, and he has also held multiple management positions in other regional healthcare and financial services companies.

During 2012 - 2016, Kenneth was the CFO for Commercial Operations of Gilead Sciences, a large California (USA) based biopharmaceutical company, and Group CFO during 2017 - 2019, at Affidea a privately held advanced diagnostics imaging company.

Kenneth Lynard is also part of the management bodies of several other entities from Zentiva Group, also being a member of the Board of Directors and Chief Financial Officer of the company Zentiva Group as.

Alin Briciu

Member of the Board – Starting February 2023

Born in 1982, Alin was appointed Head of Finance, Central Eastern Europe (CEE) within Zentiva, as of February 1st 2023, position from which he ensures strong regional financial management (planning, reporting and analytics), full compliance with all group financial and accounting policies across CEE and leads, develops and implements improvements and change management strategies and initiatives across CEE markets.

He started professional activity in the pharmaceutical field in 2007 and he joined Labormed Pharma SA 16 years ago, holding over time multiple managerial positions at the group level.



5. COMPANY'S MANAGEMENT (continued)

On February 10, 2023, Kevin Joseph Clifford sent a letter to the Company, whereby he presented his resignation from the position as member of the Board of directors of the Company and from any other position held in the Company (*i.e.*, member of the audit committee, member of the remuneration committee), his mandate being terminated on 10 February 2023

Consequently, the Company acknowledged the resignation of Kevin Joseph Clifford and the Board approved on February 10, 2023 the appointment of Alin Briciu as temporary member of the Board of directors of the Company, until his appointment as a permanent member by the Ordinary General Meeting of Shareholders by decision of March 20, 2023.

Francois Noel MARCHAND:
Independent Member of the Board – Starting February 2017

Born in 1971, Francois holds a Diploma in Management at EDHEC Lille (France) and he is the Human Resources Director for Auchan Romania, a company with a turnover of EUR 1.1 billion, 33 stores and more than 10,000 employees.

Company is not aware of any member of the Board of Directors holding shares issued by the Company during the relevant financial year.

The Board of Director members are appointed by the Ordinary General Shareholders Meeting based on shareholders' votes and in compliance with the statutory requirements relating to quorum and majority. Therefore, the Company is not aware of any agreements, specific understandings or family relationships that may be incidental to the members of the Board of Directors.

5.2. Executive management

Executive management members as at 31 December 2023:

Simona Cocos - General Manager, Member and President of the Board

She the General Manager starting October 2009 and she is reporting to the Board of Directors and is responsible with the Company activity management.

Company is not aware of any member of the executive management holding shares issued by the Company during the relevant financial year.

Company is not aware of any agreements, specific understandings or family relationships between the executive management members and any other person based on which such a person has been appointed as an executive that need to be disclosed .

To the best of the Company's knowledge and belief, there are no litigations or administrative proceedings involving the members of the Board of Directors or of the executive management, related to their activity within the Company or their ability to perform their professional responsibilities.



6. FINANCIAL STATEMENT

The comparative figures of the main balance sheet and income statement indicators for the last two years is the following:

Statement of Financial Position (RON)	31 December 2023	31 December 2022
Total non-current assets	281,772,621	272,322,135
Total inventories	191,883,609	173,060,231
Total trade receivables and related receivables	414,723,733	165,089,137
Cash and cash equivalents	27,302,728	11,190,679
Cash pooling intercompany receivable	583,820,497	583,511,187
Current liabilities	(280,350,759)	(174,185,032)
Total assets minus current liabilities	1,219,152,428	1,030,988,338
Total shareholders' equity	1,191,262,465	999,354,559

Statement of Comprehensive Income (RON)	1 January - 31 December 2023	1 January - 31 December 2022
Revenue	953,633,084	759,630,870
Other operating income	395,084	3,366,161
Operating expenses - Total	769,513,235	676,666,687
Operating profit / (loss)	184,514,933	86,330,344
Net profit / (loss)	192,615,832	99,465,204

The profit distribution for the financial year ended 31 December 2023 will be decided and approved in April 2024, when the General Meeting of Shareholders will take place.

7. COMPANY'S EXPOSURE TO RISKS

Price risk

For the products in Zentiva portfolio in Romania, which are sold on based on prescriptions, the price is regulated by the Ministry of Health. They account for 95% of the turnover on the local market. The price of over-the-counter products is determined by market supply and demand.

No potential risks were identified that are likely to affect the Company's liquidity.

The Company did not purchase own shares.

The Company did not issue any bonds or other debt securities.



7. COMPANY'S EXPOSURE TO RISKS (continued)

Market risk

The market risk is the risk that the fair value of the future cash flows of an instrument will fluctuate because of the changes of the market prices. The market prices have four types of risks: interest rate risk, currency risk, commodity price risk and other price risk, such as the equity price risk. The financial instruments affected by the market risk include credits and loans, deposits, trade receivables and payables.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

On 31 December 2023, the Company has no loans received and has a cash pooling agreement with the parent company, at a variable interest rate (as detailed in Note 14, 15 and it has a debit balance as at 31 December 2023 and 2022).

Currency risk

The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company's exposure to the risk of the changes in foreign exchange rate mainly refers to the operating activities of the Company (when the receivables or payables are expressed in a currency different from the functional currency of the Company).

The company has transactions in currencies other than its functional currency (RON).

The exposure to the foreign exchange risk (due mainly to the EUR and USD currencies) is not material, and the company does not use hedging instruments.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (mainly for trade receivables) and from its financing activities, including deposits with banks and financial institutions and cash pooling intercompany receivable, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by the Company, subject to the established policy; nonetheless, the Company considers that the credit risk on receivables is low (mainly intra-Group receivables).

Outstanding customer receivables are monitored at the end of each reporting period and any subsequent collections are analyzed.

The impairment indicators are analyzed at each reporting date.

The Company credit risk mainly relates to the receivables from related parties, for which the impairment probability is considered low. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 13, 14 and Note 15.

The Company assesses the concentration of the risk with respect to trade receivables as low due to the fact most of third party receivables are insured.



7. COMPANY'S EXPOSURE TO RISKS (continued)

Financial instruments and cash deposits

The credit risk from the balances with banks and financial institutions is managed by the treasury department of the Company, in accordance with the Company's policies. The maximum exposure of the Company to the credit risk for the components of the statement of financial position is the carrying amounts as illustrated in Note 14 and 15.

Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool.

The Company has no long-term financing (neither trade, nor liabilities to financial institutions).

The Company's financial liabilities with maturities over 1 year are represented by lease liabilities.

Capital management

Capital includes shares and equity attributable to shareholders. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize the shareholder's value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes of managing capital during the financial years ended 31 December 2023 and 2022.

8. OBJECTIVES FOR 2024

For 2024, our objective is to maintain our leadership in the healthcare field, focusing on identifying growth opportunities and on diversifying our business according to European quality standards; to secure an efficient and profitable organization. Also, we reaffirm our commitment to our customers and partners for delivering the same best possible services to our meeting the Romanian patients' needs to the same extent of involvement as before.

Our key priorities for 2024 are:

- To maintain the profitability of the local producer, in the context of an increase in costs for utilities, increase in costs for materials (raw materials, excipients, and packaging materials);
- To enhance the production capacity, by implementing the investment plan for 2024;
- To diversify and enhance Zentiva's presence on various markets and transfer of new products that should be produced locally;
- To increase the volume sales of products on the local market;
- To strengthen our product portfolio through new launches.



9. INTERNAL CONTROL

The internal control system is implemented by the Group and is designed to provide reasonable assurance regarding the achievement of objectives, in the following categories:

- Effectiveness and efficiency of operations;
- Fairness and reliability of financial statements and financial reporting;
- Compliance with applicable laws and regulations.

The objectives of internal control are the authorization (all transactions are authorized), recording (all transactions are recorded), access (allow access to assets and data only for authorized purposes), asset management accountability (ensure that accounting records describe only real assets), safeguarding of assets and prevention of fraud.

Some elements of the Internal Control system that are key to ensuring the system is effective and efficient include:

Code of Ethics and adherence to local and international relevant laws	The pharmaceutical industry is also subject to strict regulations at both national and international levels. The Company applies internal policies and standards derived from legal requirements.
Well defined system of policies and procedures	Work requirements and clear definition of roles and responsibilities, and their communication to all stakeholders are critical. Well written procedures increase accountability and transparency and are fundamental to quality assurance and quality improvement programs implementation.
Delegations of authority and legal representation	Operations are correctly managed when legal representation, delegation and approval limits are clearly defined and known by all.
Segregation of duties	Segregation of duties helps ensuring that errors, irregularities or acts of fraud are prevented or detected early enough. Segregation of duties means that no single individual has control over two or more key phases of a process. Effective segregation is achieved by: <ul style="list-style-type: none"> • Assigning responsibilities in a manner consistent with the organizational structure; • Cross-checking and supervision of high-risk transactions; • Implementing compensating controls when conflicts exist.
Fraud prevention and detection	Fraud prevention is one of the top priorities of internal control.
Training	All employees must have the relevant competencies to perform their role as well as understand the policies and procedures applicable to their responsibility. Trainings are developed in a way that promotes the awareness of all employees on internal control.
Periodical assessment and monitoring	On an annual basis an assessment of specific risks, activities and controls put in place by management is conducted in order to manage risks. Periodical monitoring is another tool used to test the effectiveness of the controls previously identified and assessed and potential deficiencies are addressed.

10. ANNUAL REPORT ON CORPORATE GOVERNANCE

The Company Zentiva SA is a one-tier company managed by the General Manager under the supervision of the Board of Directors.

The main aspects concerning corporate governance are included in certain documents / policies issued both at local and at Group levels. They ensure the internal framework necessary for defining the corporate governance structures, the activity principles and rules, the responsibilities and competencies of the Board of Directors and of the Company's executive management.

The Company publishes on its website information pertaining to its corporate governance structures, as well as the list of the BoD members, indicating the independent and / or the non-executive members, various reports and documents stipulated in the Governance Code – such as the Corporate Governance Regulation, Shareholder Rights and Procedural Rules Related to GSM, Articles of Incorporation.



10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

General Shareholders Meeting

Main rules and procedures related to the General Shareholders Meeting are mentioned in the document Corporate Governance Regulation – Zentiva SA, published on the company website.

The General Shareholders Meeting is the supreme managing body of the Company having the overall ability to make decisions in respect to its activity and its economic, trade and development policy.

The Shareholders General Meeting can be ordinary and extraordinary. The resolutions of the Shareholders General Meeting are adopted according to the legal provisions and the provisions of the Articles of Incorporation and are mandatory for all the shareholders, under the conditions provided by the legislation in force.

Convening and organization of the Shareholders General Meetings

The General Shareholders Meeting is convened by the Board of Directors, pursuant to their decision and in observance of the law at a date which may not be sooner than 30 (thirty) days after convening notice publication in the Official Gazette of Romania, part IV. Additionally, the Board of Directors has the obligation to convene the General Shareholders Meeting upon request of shareholders accounting for at least 10% of the share capital, upon request of financial auditors or if, further to the occurrence of loss, the value of the net assets determined as the difference between total assets and total liabilities of the Company is less than half of the Company's share capital.

The General Shareholders Meeting is convened as provided under and in observance of the publicity conditions provided by capital market regulations and by Law 31/1990.

The General Shareholders Meeting is chaired by a Chairman of the meeting, who will be Chairman of the Board of Directors or, in his/her absence, another member in the Board of Directors appointed by the latter. The Chairman of the meeting will appoint a meeting secretary selected among the attending shareholders and one or more technical secretaries.

The meeting secretary will make up the Minutes detailing the issues discussed and the resolutions adopted, a summary of discussions, and upon shareholders' request, the documentation of their statements made during the meeting. The Minutes will be signed by the Chairman of the meeting and by the meeting Secretary.

Rules and procedures related to the attendance to the General Shareholders Meeting

The shareholders registered at the reference date may attend and vote in the Shareholders General Meeting in person or may be represented by persons other than shareholders, save for the directors, managers or officers of the company (as provided by applicable law), based on special power-of-attorney.

The special power-of-attorney will be drafted in three original copies, one for the Company, the second copy will be delivered to the representative, the third copy remaining with the shareholder. After being filled-in and signed, the copy of the special power-of-attorney intended for the Company, together with a copy of the I.D. or of the incorporation certificate of the represented shareholder, will be submitted, in original, at the Company's seat not later than 48 hours before the Meeting, subject to losing the exercising of the voting right in the meeting. The power-of-attorney may also be delivered in electronic format, via e-mail at the e-mail address mentioned in the convening notice, together with a copy of the I.D. or of incorporation certificate of the represented shareholder, provided that the original is sent to the Company 48 hours before the meeting, at the latest.

The powers-of-attorney shall be kept by the Company, this fact being mentioned in the Minutes.



10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

The access of individual shareholders at the General Assembly is made based on the presentation of an ID proof for shareholders who are individuals and, for legal entity shareholders and represented shareholders who are individuals, based on a special power-of-attorney granted to the representing individual, as well as the ID of the representative.

The shareholders recorded at the reference date in the Shareholders' Register may vote by mail before the date of the General Meeting, by using the form for voting by mail. The voting form, together with a copy of the I.D. or incorporation certificate of the shareholder, will be delivered to the Company, in original, at its seat not later than 48 hours before the Meeting, subject to losing the right to have the vote taken into consideration.

The special power-of-attorney form, the form for voting by mail, the draft resolution, as well as the information materials subject to approval on the General Meeting agenda, may be obtained both at the Company's seat, and from the Company's website, starting at least 30 days before the meeting.

One or more shareholders, holding individually or jointly at least 5% of the share capital, are entitled to include new items on the agenda of the Shareholders General Meeting, provided that each item is accompanied by a justification or by a draft resolution submitted for approval to the General Meeting, which will be delivered in written form at the Company's seat not later than 15 days after publication of the meeting convening notice.

If the Meeting agenda includes the election of Board members, the applications for the position of members in the Company's Board of Directors may be submitted, according to Article 117¹ of Law no. 31/1990, as republished and subsequently amended and supplemented, at the Company's seat at the date mentioned in the convening notice, at the latest. A CV will be included for each nominated applicant, indicating at least the applicant's name, residence and professional qualification.

The list containing information related to the name, residence and professional qualification of the persons nominated for the position of director, may be consulted and supplemented by the shareholders under the aforesaid conditions.

All documents sent to the Company with respect to the Shareholders General Meeting will be delivered in a closed envelope, with the following note written thereon: "For the Shareholders General Meeting", mentioning the date / time and the type (Ordinary or Extraordinary) of the meeting.

The meeting will start at the time mentioned in the convening notice. The shareholders' access at the meeting will be done starting 30 minutes before the meeting start time.

Shareholders questions

The Company's shareholders may address written questions concerning the items on the agenda of the Shareholders General Meeting and submit such questions at the Company's seat together with copies of the identification documents allowing for the identification of the shareholder (copy of an I.D. for shareholders who are individuals and incorporation certificate accompanied by the official document attesting its capacity as a legal representative of the shareholder, for shareholders who are legal entities), at the date mentioned in the convening notice, at the latest.

The disclosure of commercially sensitive information that could result in a loss or competitive disadvantage for the Company will be avoided when providing the answers, in order to protect the interests of the Company and its shareholders.

The answers will be available on the Company's website in the FAQ section, in a Q&A form. The Company may issue a general reply for questions having the same content.



10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

Shareholders General Meetings main responsibilities

The Ordinary General Meeting is convened at least once a year, within at most 4 months after the end of the financial year for the following purposes:

- a) Discussing, approving or modifying the annual financial statements approved by the Board of Directors, based on the Directors report and auditor's report and determines the value of the dividends and the deadline for their distribution,
- b) Identifying the shareholders eligible to receive dividends,
- c) Electing and revoking the directors, establishing their remuneration and the minimal value of the amount insured under the professional civil liability insurance, as well as the general limits for the remuneration of directors and managers, subject to the delegation of prerogatives for managing the Company;
- d) Appointing the financial auditor as well the authorized person to sign on behalf of the Company of the service contract with the auditor;
- e) Approving the directors management report;
- f) Approving and amending the business plan, the annual revenue and expense budget and the activity schedule of the Company, proposed for approval by the Directors;
- g) Approving any other issue pertaining to its decisional competence.

The Extraordinary General Meeting is convened whenever necessary to take a decision related to:

- a) A change in the Company share capital;
- b) A change in the line of business of the Company;
- c) The change of the organization form of the Company;
- d) The relocation of the registered office of the Company;
- e) Merger with other companies or the spin-off of the Company;
- f) The anticipated dissolution of the company;
- g) The issue of bonds;
- h) The contracting of long or short term loans whose value exceeds half of the carrying amount of the company assets as at the date of the execution of the relevant legal document;
- i) Approval of all of the legal instruments in connection with acquisitions, disposal, exchange or pledging as collateral some of the non-current assets of the Company, whose value exceeds 20% of the value of the total non-current assets of the Company, considered either individually, for each legal instrument, or cumulatively, during a financial year, minus the value of the receivables at the date of the execution of the relevant legal instrument;
- j) Approval of the legal instruments for the lease of tangible assets of the Company executed for a period longer than 1 year, whose value exceeds 20% of the value of the total non-current assets of the Company, considered individually or cumulatively in relation to the same co-contracting party or involved persons or to persons coordinating their actions, minus the receivables at the date of the execution of the relevant legal instrument;
- k) Approval of the association agreements to be signed by the Company if they are for a period longer than 1 year, whose value exceeds 20% of the value of the total non-current assets of the Company, considered individually or cumulatively in relation to the same co-contracting party or involved persons or to persons coordinating their actions, minus the receivables at the date of the execution of the relevant legal instrument;
- l) Approval of any amendment to the Company's Articles of Incorporation. In this case, prior to convening the Extraordinary Shareholders General Meeting to amend the Articles of Incorporation, the draft amendments will be sent to FSA and to the regulated market where the Company's shares are traded;
- m) Passing of any other resolution that needs the approval of the Extraordinary General Shareholders Meeting.



10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

The resolutions of the Shareholders General Meeting

The resolutions of the Shareholders General Meeting are usually adopted by open vote.

Upon proposal of the Chairman of the General Meeting or of a group of attending shareholders (either personally or being represented) holding at least $\frac{1}{4}$ of the share capital, secret voting may be decided upon.

The secret voting is mandatory for the election and revocation of the members of the Board of Directors and of the financial auditor and for passing the resolutions related to the Directors' management and liability.

The resolutions of the Ordinary General Meeting are validly passed under the following conditions:

- upon the first convening: the shareholders accounting for at least $\frac{1}{2}$ of the Company's share capital need to be present and the resolutions need to be passed based on the favorable vote of the shareholders holding the absolute majority of the share capital present or represented in the meeting;
- upon the second convening: resolutions can be passed regardless of the share in the capital present/represented in the meeting, based on the favorable vote of the majority of the share capital present or represented in the meeting.

The resolutions of the Extraordinary Shareholders General Meeting are validly passed under the following conditions:

- upon the first convening: shareholders accounting for at least $\frac{3}{4}$ of the share capital need to be present in the meeting, and resolutions need to be passed based on the favorable vote of the shareholders holding at least $\frac{1}{2}$ of the share capital, except for the case provided in Article 8.1.5. of the Company Articles of Incorporation;
- upon the second convening: shareholders representing at least $\frac{1}{2}$ of the share capital need to be present and decisions need to be passed based on the favorable vote of shareholders holding at least $\frac{1}{3}$ of the share capital, which, in the case of the resolutions amending the company's main line of business, decreasing or increasing the share capital, changing the legal form, for merger, spin-off or dissolution of the Company, cannot be less than two thirds of the voting rights held by the shareholders present or represented in the Meeting.

The resolutions of the Shareholders General Meetings passed under the law and of the Articles of Incorporation, are binding even for the non-attending shareholders or those shareholders having voted against them.

Board of Directors

The Board of Directors holds a meeting at least once in three months or whenever necessary, at the Company seta or at another place provided in the convening notice.

The meetings will be held with the directors' physical attendance at the place of the meeting, or by remote communication means (phone, phone call, video call, telefax).

The Board of Directors will be convened by the Chairman, of his own accord or upon the grounded request of at least two directors or of the General Manager, by any communication means likely to prove the receipt of the convening notice by the addressee: phone call followed by the written confirmation of the addressee, certified mail with confirmation of receipt, e-mail.

If all the members of the Board of Directors are present and agree to hold the meeting of the Board and to pass decisions, the convening formalities are no longer needed.



10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

The meetings of the Board of Directors are chaired by the Chairman of the Board and, in his/her absence, by a member of the Board of Directors appointed by him/her. The Chairman appoints a secretary either selected among the members of the Board or outside the Board.

The Board of Directors can validly deliberate in the presence of at least three members and can pass decisions with a majority of at least half plus one of the present members. In case of a tie, the Chairman of the Board of Directors will have the casting vote, except if he is also a manager of the Company.

The Minutes will be signed by the Chairman of the meeting, by at least one other director and by the meeting secretary and, upon request, by the other members in the Board of Directors who have attended the discussions.

The responsibilities of the Board of Directors

The Board of Directors has the following main responsibilities:

- a. Prepare and update the Company's registers according to the law provisions;
- b. Hire and dismiss the Company managers, establish their rights and obligations;
- c. Appoint the Chairman of the Board;
- d. Contract the independent registry which keeps the record of the Company's shares;
- e. Approve the accounting as costs of the unrecoverable debts amounting to up to 0.5% of the turnover;
- f. Approve the write-off of the fixed assets;
- g. Approve the calculation method of the fixed assets depreciation as required by law;
- h. Approve the research and development program and allocates the necessary financial resources;
- i. Approve the annual investment plan of the Company;
- j. Annually, within 4 months after the end of the financial year, submits for approval of the Shareholders' General Meeting the Company activity report, the Company annual financial statement for the previous year prepared in accordance with the specific requirements of the Ministry of Finance and FSA as well the draft of the Company's activity program and draft budget for the current year;
- k. Approve the signing of association agreements, in observance of the exclusive competences of the Shareholders General Meeting;
- l. Setting up or closing one or more of the Company's subsidiaries, representative offices, agencies, working units or any other secondary offices of the Company as well as the setting-up or closing Company branches;
- m. Other responsibilities established by the law as its competency.

The Company publicly announces, in accordance with the law, by drafting and publishing a report, the significant transactions with affiliated parties, after their approval and no later than at the time of their conclusion. "Significant transaction" means any transfer of resources, services or obligations whether or not it involves the payment of a price, the individual or aggregate value of which represents more than 5% of the Company's net assets, according to the latest separate financial statements published by the Company.

Under the supervision of the Board of Directors, the Company will provide all the necessary facilities and information in order to allow the shareholders to exercise the right granted by their shares.

In this respect the Board of Directors has the legal obligation to:

1. Inform the shareholders on the convening of the Shareholders General Meeting, in accordance with the applicable procedures;
2. Inform the public about the allocation and payment of the dividends, issuance of new shares, including the distribution, subscription, conversion cancellation operations;
3. Appoint as payment agent for the Company a financial institution through which the shareholders to be able to exercise their financial rights, except when the Company could provide for this services on its own.



10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

In 2023, the structure of the Company's Board of Directors included 1 independent director out of a total of 5 directors.

The mandates of the current members of the Company's Board of Directors expire on March 21, 2027, these being granted in compliance with the legal regulations in force.

The appointed structure of the Board of Directors allows an efficient coordination of the executive management on all lines of activity – general, financial, production management and commercial activity coordination.

In 2023, the Board of Directors held 15 meetings, to which all 5 members attended – and passed decisions which allowed it to efficiently and effectively fulfil its duties. Thus, in its meetings, the Board of Directors thoroughly analyzed the financial results obtained during the reporting period and cumulatively since the beginning of the year, as well as the economic performance against the budget and the similar period of the previous year. On a case-by-case basis, the Board requested detailed explanations from the executive management with regard to the plans for increasing production efficiency, investment plans, provisions set, write-off of expired inventories, liquidity management, operating and general profitability of the activity. Further to the thorough analysis of the results for the period, the Board decided on the approval thereof for publication and submission with BVB.

Concerning the directors' remuneration policy, the remuneration of the members of the Board of Directors for the financial year 2023 was subject to the approval of the Ordinary Shareholders General Meeting convened on 27 April 2023, being determined at an aggregate maximum level. In 2023, the remuneration for the Board of Directors was: RON 2,896,972.

The remuneration of the executive directors comprises a fixed monthly component and an annual bonus (called performance bonus), while the remuneration of the independent director includes only a fixed monthly component, without other fixed or variable elements or components.

Non-executive directors (except the independent director) have a free mandate. By exception, the non-executive members of the Board of Directors or the other managers appointed from among the employees of the Company or among the employees of the affiliated companies in Romania may have the same rights and obligations provided for the executive members of the Board of Directors, based on remunerated mandate agreements concluded with the Company.

On 10 December 2021, the Company's Board of Directors decided to set up a Remuneration Committee, having the attributions provided by the "Remuneration Policy of the Company's managers". The Remuneration Committee had the following members:

- Marchand Francois Noel - Chairman of the Remuneration Committee (independent member);
- Kenneth Lynard - Member of the Remuneration Committee; and;
- Kevin Joseph Clifford - Member of the Remuneration Committee.

In 2023, there was an amendment regarding the Remuneration Committee structure. In this sense, starting with March 22, 2023, the Remuneration Committee has the following structure:

- Marchand Francois Noel - Chairman of the Remuneration Committee (independent member);
- Kenneth Lynard - Member of the Remuneration Committee; and;
- Alin Briciu - Member of the Remuneration Committee.

In 2017 an Audit Committee was set-up, in order to support the Board of Directors in overseeing the internal control system, particularly the efficacy of financial reporting.



10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

During 2023, the structure of the Audit Committee has changed two times. Thus, starting with December 19, 2023 the Audit Committee had the following structure:

- Marchand Francois Noel - Chairman of the Audit Committee (independent member);
- Kenneth Lynard - Member of the Audit Committee;
- Alin Briciu - Member of the Audit Committee; and;
- Andreea-Elena Manta – Temporary member of the Audit Committee.

Executive Management – General Manager

The Board of Directors entrusted the management of the Company to one Executive Manager, who has the capacity to delegate management duties as defined under Article 143 of Law 31/1990, referred to as General Manager of the Company.

The Company is represented and validly bound in relations with third parties by the General Manager.

The General Manager has a general mandate for representing the Company before third parties.

The General Manager sub-delegated part of his/her responsibilities to technical managers, authorized to represent the Company based on special mandates in line with the policies applicable within the Company.

The General Manager reports to the Board of Directors.

Starting September 2018, the General Manager concluded a management agreement with the Company, valid until the membership of the Board of Directors ceases.

Executive Management - Industrial Operations Manager

The Board of Directors entrusted the management of the industrial activity to an Industrial Operations Manager. Starting with March 24, 2023, the Industrial Operations Manager role within Company was held by Mr. Zsolt Baranyai.

Rights of holders of financial instruments

In a special, easily identifiable and accessible section of its website, the Company provides current reports, releases, its financial calendar, annual, biannual and quarterly reports. Additionally, the Company assigns internal resources for its relationship with shareholders and for briefing the shareholders on the questions asked in writing or over the phone.

The Company has permanently undertaken the obligation to comply with the rights of the holders of financial instruments issued by it and to ensure the fair treatment of its shareholders. The Company makes every effort to achieve an active and efficient communication with its shareholders and to facilitate their participation at the General Shareholders Meetings (GSMs), and the full exercising of their rights. The shareholders' participation at the GSM is entirely encouraged, the shareholders who are not able to attend being provided with the possibility to exercise their voting right in absentia, based on a special power-of-attorney. In GSMs, dialogue is encouraged between the shareholders and the members of the Board of Directors and/or of the management.

The Company applies rules with regard to the internal circuit and to the disclosure to third parties of documents and information regarding the issuer, allowing special importance to the information likely to influence the evolution of the market price of securities issued by it. The Company has adopted procedures for the purpose of identifying and appropriately settling potential conflicts of interest and ensuring procedural correctness (identification criteria for transactions with significant impact, transparency, objectiveness, non-competition criteria etc.).



10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

The Shareholders have a share in at the Company result based in their equity participation (respectively only up to the limit of the subscribed share capital).

Social and Environmental Responsibility

The Company has constant concerns with regard to Social and Environmental Responsibility, including multiple components, where an important part is represented by the information and education of the public and of patients. The Company has participated and gotten continuously involved in programs and campaigns focused on the importance of being aware of the risk factors and of regularly undergoing medical investigations.

At the same time, the Company allowed special importance to other components of the Social and Environmental Responsibility, such as pharmacovigilance, ethical conduct in performing the activity and in the relationships with professionals and organizations from the medical field, social dialogue and social welfare of employees, protection at work, acknowledgment of the diversity of values and opinions, fair professional assessment and career development, concern for industrial risk control, soil and natural resource protection, environmental and biodiversity protection, sustainability and reduction / elimination of carbon emissions through green energy consumption.

Additionally, the Company allows special importance to the transparency obligations, being fully committed to complying with applicable legal provisions and transparently disclosing the interactions with the healthcare professionals and healthcare organizations.

Code of Corporate Governance

The Company first adhered to the Code of Corporate Governance issued by the Bucharest Stock Exchange in 2010. In 2023, the Company continued to apply to a large extent the corporate governance principles provided by the Corporate Governance Code published by the Bucharest Stock Exchange on 22 September 2015, and where the Company deviates from the provisions of the Code, the "apply or explain" principle is applied, as shown below.

The Company has taken and will continue to take the professional, legal and administrative steps necessary for ensuring compliance with the provisions of the Code of Corporate Governance issued by the Bucharest Stock Exchange.

More details about the compliance with the principles and recommendations under the Code of Corporate Governance issued by the Bucharest Stock Exchange are presented in the corporate governance statement, which is a part of this annual report.

Code provisions	Complies	Does not comply or partially complies	Comments
Section A - Responsibilities			
A1 All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.		X	The main aspects related to the Board of Directors functioning /responsibilities are identified in the Company Articles of Incorporation published on the Company website in the dedicated Investor Relations section.
A2 Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.		X	The main aspects related to the conflict of interest' situations are identified and settled according to the current applicable local/group procedures (i.e. Conflict of Interest Policy, Code of Ethics). Moreover, the management of the conflict of interest process is performed by the Company's Compliance Officer function.

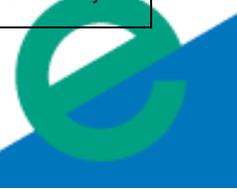


Code provisions	Complies	Does not comply or partially complies	Comments
A3 The Board of Directors or the Supervisory Board should have at least five members.	X		
A4 The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgment and according to the other criteria in the Corporate Governance Code of the Bucharest Stock Exchange.	X		
A5 A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	X		
A6 Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	X		
A7 The company should appoint a Board secretary responsible for supporting the work of the Board.	X		
A8 The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.		X	Most of the members of the Board of Directors currently hold various management positions within the group proving solid skills and capabilities in their areas of competence. Their performance is regularly assessed as per the internal rules/policies.
A9 The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	X		
A10 The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors.	X		
A11 The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.		X	The company is in the Standard category.
Section B – Risk Management and Internal Control System			
B1 The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	X		
B2 The audit committee should be chaired by an independent non-executive member.	X		The Audit Committee, regardless of its structure, is chaired by the independent non-executive director.



Code provisions	Complies	Does not comply or partially complies	Comments
B3 Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.		X	The assessment of the internal control system is performed at Zentiva group level, based on the policies implemented at group level.
B4 The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.		X	All areas mentioned in the description of the recommendation are covered by the annual assessment performed by the dedicated country and group level internal control functions.
B5 The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.		X	The evaluation of conflicts of interest in transactions between the Company and the related parties is taken into account in the related internal documentation.
B6 The audit committee should evaluate the efficiency of the internal control system and risk management system.		X	The efficiency of the internal control and risk management systems is covered by the dedicated internal control function organized at group level.
B7 The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.		X	Application of statutory and generally accepted standards of internal auditing is monitored by the dedicated internal control function organized at group level.
B8 Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.		X	As a rule, the specific reports/ analyses performed by the relevant functions are communicated to the Board by the dedicated internal control function.
B9 No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	X		
B10 The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.		X	The Company applies transfer pricing policies in accordance with the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and local Romanian legislation. All significant transactions are assessed by internal local and group experts to make sure that they are in line with external transfer pricing guidelines and regulations and internal transfer pricing policies. The advice/support from established external advisors is sought where necessary. The compliance with transfer pricing regulations in force ensures that the prices used in intercompany transactions are based on the arm's length principle. With respect to determining the appropriate arm's length return/margin, external databases are used to determine the return/margin earned by companies with similar functions, risks and assets. Significant transactions with affiliates are supported by documentation and recorded in the financial records of the Company. The Company cannot make any comment about the auditor's procedures. The Company prepares, in accordance with Law no. 24/2017 and Regulation no. 5/2018, reports regarding the significant transactions concluded during the relevant period. The report is subject to procedures undertaken by the Company external

Code provisions	Complies	Does not comply or partially complies	Comments
			auditors on which a report is prepared and submitted with FSA and is available on the Company website.
B11 The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	X		The internal audits are carried out by an independent third-party entity.
B12 To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.		X	The relevant functions are not formally integrated in/ subordinate to the structure of Board of Directors, being separately organized at group level.
Section C – Fair Rewards and Motivation			
C1 The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.	X		The remuneration policy has been finalized, approved by the ordinary general meeting of shareholders and published on the Company's website. The remuneration of the members of the Board of Directors is subject to the approval of the Ordinary Shareholders General Meeting, being determined at an aggregate maximum level. The remuneration of the executive directors comprises a fixed monthly component and an annual bonus, while the remuneration of the independent director includes only a fixed monthly component, without other fixed or variable elements or components.
Section D – Building value through investors' relations			
D1 The company should have an Investor Relations function – indicating to the general public the person (s) responsible or the organizational unit. In addition to information required by legal provisions, the company should include on its website a section dedicated to Investor Relations, both in Romanian and English, with all relevant information of interest to investors, including:	X		The relevant information published on the dedicated Investor Relations section is disseminated also in English (i.e., the current reports, informative materials, resolutions of General Meetings). There is a designated person for investor relations.
D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures.	X		
D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions.		X	Information about the professional activity of the members of the Board is presented in the annual report and upon their nomination.
D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports).	X		
D.1.4. Information related to general meetings of shareholders.	X		
D.1.5. Information on corporate events.	X		
D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request.	X		
D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	X		
D2 A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit.		X	Adoption and dissemination of a policy for the annual distribution of dividends or of other benefits to the shareholders will be subject of assessment by the



Code provisions	Complies	Does not comply or partially complies	Comments
The annual cash distribution or dividend policy principles should be published on the corporate website.			competent corporate bodies of the Company.
D3 A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.		X	Adoption and dissemination of a policy for the forecasts will be subject of assessment for the competent corporate bodies of the Company.
D4 The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	X		
D5 The external auditors should attend the shareholders' meetings when their reports are presented there.	X		
D6 The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	X		
D7 Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.		X	The accesses of consultants, experts, financial analysts or journalists in the Company Shareholders General Meeting will be allowed only upon prior invitation from the Chairman of the Board.
D8 The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	X		
D9 A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.		X	Organizing of such events will be assessed under the applicable internal principles.
D10 If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	X		



11. CONTINGENCIES

Legal claims

As at December 31, 2023, the Company is involved in several disputes, of which the most significant are listed below:

- The Company was involved in several disputes with the National Health Insurance House ("CNAS") following a challenge filled on the VAT paid, related to the clawback tax for the period Q1 2012 - Q4 2012, as well as on the method of calculating the individual consumption communicated for determining the clawback tax for the period Q1 2013 - Q3 2013 and Q1 2020, requesting the cancellation of the Notifications received from CNAS related to the previously mentioned periods. Currently, the Company is involved in a single litigation, which is ongoing against CNAS, namely- case file no. 7592/2/2020 - for Q2 2020, while the other 6 disputes in which the Company has been involved in the past were definitively settled as at the date of this Report.

*the trial in file no. 7592/2/2020 is suspended considering the Romanian Constitutional Court was requested to solve the exception of unconstitutionality of the phrase "*starting with the first quarter of 2020*" within paragraph 1 of art. 37 of GEO no. 77/2011. According to the Romanian law, the case was suspended on the merits and no appeal. As at December 31, 2023, the file registered with the Romanian Constitutional Court is still in the preliminary report phase.

Thus, so far, the Company has won in court the recovery of the VAT related to the clawback tax for the period Q1 2012 - Q4 2012 and for Q2 2013 - Q3 2013 (for Q1 2013, the Company's action was rejected in its entirety) and is investigating the possibilities of recovery or compensation with other tax obligations of the amounts thus recovered. For all these cases, the decisions of the court are final.

- In August 2019, ALPHA TRANSCORD SRL filed, through its judicial administrator, a summons against the Company. The case, had as subject matter a contractual obligation consisting in the binding of the Defendants, including the Company, to pay the amount of RON 2,262,332.27, related to the road transport services. On 9 November 2021 the court allowed the action in part and ordered the Defendant to pay the Claimant the amount of EUR 21,928.70 (excluding VAT), representing the value of the unpaid invoices. Also, the court ordered ALPHA TRANSCORD SRL to pay the amount of RON 72,655 as court costs to the Defendant.

Alpha Transcord filled an appeal against the above mentioned solution, on June 22, 2023.

At the court hearing held on 17 November 2023, the court maintained the solution of the first court.

This decision is pronounced on appeal and can be appealed (in Romanian, recurs) within 30 days from the communication of the decision's reasoning. On 31 December 2023, the decision's reasoning was not communicated to the Company.

The Company's management considers that the respective litigations will not significantly impact the Company's operations and financial position.

12. NON-FINANCIAL DECLARATION

In accordance with the legal provisions on disclosure of non-financial information, the Company will prepare a separate report that includes the information required to be included in the non-financial statement. This report will be published on the Company's website until 30 June 2024.



13. 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. To evaluate the applicability of this assumption, the local management analysed the forecasts of the future cash inflows.

As of 31 December 2023 the current assets of the Company exceed current liabilities by RON 937,379,807 (as of 31 December 2022, the current assets exceeded current liabilities by RON 758,666,203).

At the same date, the Company recorded a net profit for the year of RON 192,615,832 (2022: RON 99,465,204).

The Budget for 2024 prepared by the Company's management and approved by the Board of Directors indicates positive cash flows from the operating activities.

	Mn RON	B2024
Revenues		1,139.5
Expenses		<u>910.2</u>
Operating income		<u>229.2</u>

Management considers that the Company will be able continue the activity in the foreseeable future and therefore the going concern principle is reasonably applicable for the preparation of these financial statements.

14. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

There were no subsequent events that would affect the financial statements of the Company as of December 31, 2023.

Simona Cocos
General Manager

Daniel Nitulescu
Chief Financial Officer





ZENTIVA SA

50 Th. Pallady Blvd., 3rd district
 Registration number J40/363/1991
 CUI 336206
 fiscal attribute RO

Updated on 20 March 2023

**ARTICLES OF INCORPORATION of
 ZENTIVA S.A.
 (“The Company”)**

Preamble:

We, the Shareholders of S.C. ZENTIVA S.A., have agreed to conclude these ARTICLES OF INCORPORATION, as a sole written document and as the deed issued for the updating of the ARTICLES OF INCORPORATION of S.C. ZENTIVA S.A., without thus creating a new trade company. As result, we have agreed that the initial ARTICLES OF INCORPORATION of the Company and the addenda concluded and registered to-date with the Trade Register Office near Bucharest Tribunal will be replaced by these ARTICLES OF INCORPORATION, made up of ten chapters and setting forth the following provisions:

Definitions:

The concepts of “involved parties”, “persons acting jointly” and “significant shareholder”, as well as any other specific concepts used hereunder shall be considered to have the meaning provided by Capital Market Law 297/2004, as further amended (“Law 297/2004”), by the regulations of the National Securities Commission (“NSC”), by Company Law 31/1990, republished, as further amended and completed (“Law 31/1990”) and the other applicable legal provisions, except if otherwise provided hereunder.

Any references in the ARTICLES OF INCORPORATION to Capital Market Law 297/2004 and to Company Law 31/1990, republished, shall be replaced by the abbreviations defined in the Preamble.

CHAPTER I

NAME, LEGAL ORGANIZATION, REGISTERED OFFICE, TERM OF THE COMPANY

Art. 1 The name and emblem of the Company

1.1. The name of the Company is “ZENTIVA” S.A (according to the proof of name reservation no. 759216 as of 15.12.2005).

1.2. All documents, invoices, advertisements, publications as well any other documents issued by the Company, shall contain the name of the Company, legal form, headquarters, sole registration code and the fiscal attribute, as well as the share capital, mentioning the actual paid up capital, according to the last approved financial statement.

Zentiva SA - Bdul Theodor Pallady nr. 50 - 032266, sector 3, Bucuresti - Romania
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1.3. The Company has an emblem consisting in the name “ZeNTIVA”, as reserved at the Bucharest’s Trade Registry Office under the number 11.043 from 13.01.2006.

Art. 2 The legal form of the Company

The trade company “ZENTIVA” S.A. is a Romanian legal entity, being legally organized as a joint stock company admitted to trading on a regulated market according to the legal effectual provisions. The Company operates in accordance with the Romanian legal provisions regarding the issuers of securities, in accordance with the provisions of the Law 31/1990 and the provisions of these ARTICLES OF INCORPORATION.

Art. 3 The registered headquarters of the Company

3.1. The registered headquarters of the Company are located in Romania, Bucharest, 50 Theodor Pallady Str., 3rd district. The registered headquarters of the Company can be relocated to any address in Romania, based on the decision of the General Meeting of Shareholders, according to the legal provisions.

3.2. The Company, based on the resolutions of the General Meeting of Shareholders can establish branches, representative offices, agencies located in Romania and/or abroad.

Art. 4 The term of the Company

The term of the Company is unlimited, as of the date of the registration thereof with the Bucharest Trade Registry Office.

CHAPTER II

COMPANY’S OBJECT OF ACTIVITY

Art.5 Company’s object of activity is:

5.1. The main field of activity of the Company is:

NACE 211 – Manufacture of basic pharmaceutical products.

5.2. The main activity of the Company is:

NACE 2120- Manufacture of Pharmaceutical Preparations.

5.3. The secondary activities of the Company are:

NACE 1089 – Manufacture of other food products n.e.c.

NACE 0240 - Support services to forestry

NACE 1721 – Manufacture of corrugated paper and paperboard and of containers of paper and paperboard

NACE 1729 - Manufacture of other articles of paper and paperboard

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NACE 1812 – Other printing
 NACE 1813 - Pre-press and pre-media services
 NACE 2059 – Manufacture of other chemical products n.e.c.
 NACE 2110 - Manufacture of basic pharmaceutical products
 NACE 2319 – Manufacture and processing of other glass, including technical glassware
 NACE 2611 - Manufacture of electronic components
 NACE 3250 – Manufacture of medical and dental instruments and supplies
 NACE 3312 - Repair of machinery
 NACE 3319 - Repair of other equipment
 NACE 3320 - Installation of industrial machinery and equipment
 NACE 3511 - Production of electricity
 NACE 3521 - Manufacture of gas
 NACE 3522 - Distribution of gaseous fuels through mains
 NACE 3523 Trade of gas through mains
 NACE 3831 Dismantling of wrecks
 NACE 3832 Recovery of sorted materials
 NACE 4321 Electrical installation
 NACE 4322 Plumbing, heat and air-conditioning installation
 NACE 4329 Other construction installation
 NACE 4511 Sale of cars and light motor vehicles
 NACE 4519 Sale of other motor vehicles
 NACE 4520 Maintenance and repair of motor vehicles
 NACE 4618 Agents specialised in the sale of other particular products
 NACE 4619 Agents involved in the sale of a variety of goods
 NACE 4636 Wholesale of sugar and chocolate and sugar confectionery
 NACE 4638 Wholesale of other food, including fish, crustaceans and molluscs
 NACE 4639 Non-specialised wholesale of food, beverages and tobacco
 NACE 4645 Wholesale of perfume and cosmetics
 NACE 4646 Wholesale of pharmaceutical goods
 NACE 4675 Wholesale of chemical products
 NACE 4676 Wholesale of other intermediate products
 NACE 4741 Retail sale of computers, peripheral units and software in specialised stores
 NACE 4742 Retail sale of telecommunications equipment in specialised stores
 NACE 4753 Retail sale of carpets, rugs, wall and floor coverings in specialised stores
 NACE 4759 Retail sale of furniture, lighting equipment and other household articles in specialised stores
 NACE 4764 Retail sale of sporting equipment in specialised stores
 NACE 4765 Retail sale of games and toys in specialised stores
 NACE 4771 Retail sale of clothing in specialised stores
 NACE 4773 Dispensing chemist in specialised stores
 NACE 4774 Retail sale of medical and orthopaedic goods in specialised stores
 NACE 4776 Retail sale of flowers, plants, seeds, fertilisers, pet animals and pet food in specialised stores
 NACE 4777 Retail sale of watches and jewellery in specialised stores
 NACE 4778 Other retail sale of new goods in specialised stores
 NACE 4779 Retail sale of second-hand goods in stores

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NACE 4939 Other passenger land transport n.e.c.
 NACE 4941 Freight transport by road
 NACE 4942 Removal services
 NACE 5210 Warehousing and storage
 NACE 5221 Service activities incidental to land transportation
 NACE 5224 Cargo handling
 NACE 5229 Other transportation support activities
 NACE 5320 Other postal and courier activities
 NACE 5811 Book publishing
 NACE 5812 Publishing of directories and mailing lists
 NACE 5813 Publishing of newspapers
 NACE 5814 Publishing of journals and periodicals
 NACE 5819 Other publishing activities
 NACE 5821 Publishing of computer games
 NACE 5829 Other software publishing
 NACE 5920 Sound recording and music publishing activities
 NACE 6010 Radio broadcasting
 NACE 6020 Television programming and broadcasting activities
 NACE 6190 Other telecommunications activities
 NACE 6201 Computer programming activities
 NACE 6202 Computer consultancy activities
 NACE 6203 Computer facilities management activities
 NACE 6209 Other information technology and computer service activities
 NACE 6311 Data processing, hosting and related activities
 NACE 6312 Web portals
 NACE 6420 Activities of holding companies
 NACE 6492 Other credit granting (intercompany operations)
 NACE 6820 Renting and operating of own or leased real estate
 NACE 6920 Accounting, bookkeeping and auditing activities; tax consultancy
 NACE 7010 Activities of head offices
 NACE 7021 Public relations and communication activities
 NACE 7022 Business and other management consultancy activities
 NACE 7111 Architectural activities
 NACE 7112 Engineering activities and related technical consultancy
 NACE 7120 Technical testing and analysis
 NACE 7311 Advertising agencies
 NACE 7312 Media representation
 NACE 7320 Market research and public opinion polling
 NACE 7490 Other professional, scientific and technical activities
 n.e.c.
 NACE 7711 Renting and leasing of cars and light motor vehicles
 NACE 7733 Renting and leasing of office machinery and equipment (including computers)
 NACE 7820 Temporary employment agency activities
 NACE 7830 Other human resources provision
 NACE 8020 Security systems service activities
 NACE 8110 Combined facilities support activities

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NACE 8211 Combined office administrative service activities
 NACE 8219 Photocopying, document preparation and other specialised office support activities
 NACE 8220 Activities of call centres
 NACE 8230 Organisation of conventions and trade shows
 NACE 8291 Activities of collection agencies and credit bureaus
 NACE 8299 Other business support service activities n.e.c.
 NACE 8560 Educational support activities
 NACE 9101 Library and archives activities
 NACE 9511 Repair of computers and peripheral equipment

CHAPTER III

REGISTERED SHARE CAPITAL SHARES

Art. 6 The registered share capital

6.1. The registered capital of the company ZENTIVA S.A. is of RON 69,701,704 and it consists of in kind and cash contributions.

6.2. The Company's share capital is divided into 697,017,040 nominal shares of RON 0.1 each.

6.3. The new structure of the fully subscribed and paid up share capital of the Company is the following:

- the shareholder Zentiva Group a.s., headquartered in Czech Republic, Prague 10, Dolní Měcholupy, U Kabelovny 130, postal code 10237, holds 668,778,101 shares totalling RON 66,877,810.1 representing 95.9486% of Company's share capital;
- other natural and legal persons holding 28,238,939 shares, totalling RON 2,823,893.9, representing 4.0514% of Company's share capital.

Art. 7 The shares

The shares issued by the Company are nominal, indivisible, equal in value, dematerialised, freely negotiable and fully subscribed and paid up and shall be numbered by the Independent Registry company contracted by the Company for the purpose to maintain the shares evidence in the Shareholder's Registry.

Art. 8 The increase and the decrease of share capital

8.1 The increase of the share capital

8.1.1. Company's share capital can be increased based on the decision of the General Extraordinary Meeting of Shareholders, in accordance with the legal provisions in force and of the present ARTICLES OF INCORPORATION.

8.1.2 The Company can increase its share capital, under the provisions of these ARTICLES OF INCORPORATION and of the legal provisions in force, by issuing new shares or increasing the nominal value (par value) of the existing shares in exchange of new contributions in cash or in kind or by incorporating the reserves (except for the legal reserves), as well as the benefits or issue premiums. The increase of the Share Capital can also be carried out by any other methods allowed by the law.

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8.1.3 Company's share capital can include only the competitive assets necessary for the performance of Company's object of activity. If the share capital increase is done by contributions in kind, the General Extraordinary Meeting of Shareholders shall appoint one or several independent experts to assess these contributions, in accordance with the legal provisions.

The number of shares to be allocated following the contribution in kind to the share capital will be determined as a ratio between the value of the contribution in kind, according to the above mentioned expertise report and the highest of the market value for one share, the value per share computed based on the accounting net assets or the nominal value (par value) of a share, according to the law.

8.1.4. The shareholders benefit from the right of first refusal for the subscription of the new shares issued for the increase of the share capital, within the limits of their contribution to Company's share capital.

8.1.5 The General Extraordinary Meeting of the Shareholders can bar the pre-emption right of the shareholders to the subscription of the new shares, if the following conditions are cumulatively met:

- in the presence of at least $\frac{3}{4}$ of the holders of the share capital;
- by the vote of the shareholders owning at least 75% of the rights to vote within the meeting.

Art 8.2 The decrease of the share capital

8.2.1 The General Extraordinary Meeting of the Shareholders shall decide on the decrease of the share capital of the Company. The share capital can be decreased due to well-grounded reasons and only up to the minimum limit stipulated by the law.

8.2.2. The decrease of the Share capital can be performed only after the elapse of two months as of the date when the resolution of the General Extraordinary Meeting is published in the Official Gazette of Romania.

Art. 9 The rights and obligations deriving from shares

9.1. Each subscribed and paid up share grants to its holder a voting right during the General Meeting of the Shareholders, the right to elect and to be elected in the management bodies of the Company, the right to participate to the distribution of the Company's profits, according to the provisions of these ARTICLES OF INCORPORATION and the legal provisions, as well as any other rights forthcoming from the ownership over the shares within the limits set forth by these ARTICLES OF INCORPORATION and as provided by the law.

9.2 The rights, benefits and obligations that result from any or all shares owned by a shareholder, shall be transferred in the same time with the transfer of the ownership right over the shares, according to the law.

9.3 Each shareholder undertakes to observe the provisions of these ARTICLES OF INCORPORATION.

9.4. Company's obligations are secured by the assets thereof and Company's shareholders will be held liable for the performance of Company's obligations only within the limits of the share capital subscribed.

9.5. The Company's patrimony may not be encumbered by debts or other personal liabilities of the shareholders.



9.6 A creditor of a shareholder can formulate claims over that part of Company's profit distributed as dividends by the General Meeting of Shareholders or over the shareholder quota from the Company's assets following the liquidation procedure performed in accordance with the provisions of these ARTICLES OF INCORPORATION and the legal effectual provisions.

9.7 The shareholders must exercise their rights deriving from the shares in good faith and by observing the rights and legitimate interest of the other shareholders and the priority interest of the Company, otherwise being held liable for the inflicted damages.

9.8 The abusive use of the capacity of shareholder, following performance of unfair or fraudulent deeds (determined in accordance with the applicable law), which results in the restriction of the rights granted by the shares or damages inflicted to other shareholders is prohibited by the law and triggers the personal liability of the shareholders in accordance with the law.

Art. 10 Transfer of shares

10.1. Company's shares are indivisible.

10.2. When a nominal share falls into the indivisible ownership of several persons, the Independent Register Company in charge for the evidence of Company's shares is not obliged to register the ownership transfer until those persons appoint a sole representative for the purpose of exercising the right deriving from such nominal share.

As long as a share is indivisibly owned by several persons, those persons are jointly liable for the payment of such a share.

10.3. The partial or total assignment of the shares between shareholders or third parties shall be performed accordance with the Law no. 297/2004.

10.4. Company's shares may be traded according to the law, only on a regulated market designated by the General Meeting of Shareholders.

CHAPTER IV

GENERAL MEETING OF SHAREHOLDERS

Art 11. The General Meeting of Shareholders

11.1. The General Meeting of Shareholders is the supreme managing body of the Company having a general capacity to decide in respect to its activity and its economic, trade and development policy.

11.2 The General Meeting of Shareholders can be Ordinary and Extraordinary. The resolutions of the General Meeting of Shareholders are adopted according to the law and the provisions of these ARTICLES OF INCORPORATION and are mandatory for all shareholders.

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11.3. **The General Ordinary Meeting** will meet at least once a year, within at most 4 months after the end of the financial year for the following purposes:

- a) Debate, approve or modify the yearly financial statements approved by the Board of Directors, based on Directors' and Auditors' reports and establishes the value of the dividends and the deadline for their distribution,
- b) Identification of the shareholders eligible to receive dividends,
- c) Electing and revoking the directors, establishing their remuneration and the minimum value of the amount insured by the professional civil liability insurance, as well as the general limits for the remuneration of directors and managers, subject to the delegation of prerogatives for managing the Company;
- d) Appointment of the financial auditor as well of the authorised person to sign the services contract concluded with the auditor on behalf of the Company;
- e) Approval of directors' management report;
- f) Approval and amendment of the business plan, of the annual budget and the activity schedule of the Company, proposed for approval by the Directors ,
- g) Incorporation or dissolution of one or several of Company's subsidiaries, representative offices, agencies, or any other secondary establishments of the Company as well as the incorporation of Company's branches;
- h) Any other issue pertaining to its decisional competence.

11.4. **The General Extraordinary Meeting** shall be convened whenever necessary to make a decision related to:

- a. The change of Company's share capital
- b. The change of Company's object of activity
- c. The change of Company's organization form
- d. The relocation of Company's registered headquarters
- e. Merger with other companies or the division of the Company
- f. The anticipated dissolution of the company
- g. Issue of bonds
- h. The undertaking of long or short term loans whose value exceeds half of the accounting value of Company's assets as at the date of the execution of the relevant legal document;
- i. The approval of all legal instruments in connection with the acquisition, alienation, exchange or pledge of some of the immovable assets of the Company, whose value exceeds 20% of the value of the total immovable assets of the Company, considered individually, for each legal instrument, or cumulatively, during a financial year, minus the value of the receivables at the date of the execution of the relevant legal instrument;
- j. The approval of legal deeds concerning the rental of fixed assets of the Company for a period longer than 1 year, whose individual value exceeds 20% of the value of the total immovable assets of the Company, considered individually or cumulatively in relation to the same contracting party or to involved persons or to persons coordinating their actions, minus the receivables at the date of the execution of the relevant legal instrument.
- k. The approval of the association agreements concluded by the Company if they are concluded for a period longer than 1 year, whose value exceeds 20% of the value of the total immovable assets of the Company, considered individually or cumulatively in relation to the same contracting party or to involved persons or to persons coordinating their actions, minus the receivables at the date of the execution of the relevant legal instrument.
- l. The approval of any amendment to Company's ARTICLES OF INCORPORATION. In this case, prior to convening the General Extraordinary Meeting of Shareholders for the amendment of the ARTICLES OF INCORPORATION, the draft of the proposed amendments shall be sent to NSC and to securities market where the Company's shares are traded.



m. Pass any other resolution that needs the approval of the General Extraordinary Meeting of Shareholders in order to be enforced.

Art 12. Convening of the General Assemblies

12.1. The General Meeting of Shareholders shall be convened by the Board of Directors, pursuant to the decision thereof and in observance of the law.

12.2. The Ordinary General Meeting is held at least once a year, according to the provisions stipulated at art. 11.3, as well as whenever is necessary to approve a resolution of its own competence, according to the legal provisions in force and of these ARTICLES OF INCORPORATION.

12.3. The Board of Directors has the obligation to convene the General Extraordinary Meeting of Shareholders upon the request of shareholders representing at least 10% of the share capital, upon the request of financial auditors or if, further to the occurrence of loss, the value of the net assets determined as the balance between the total assets and the total liabilities of the Company is less than half of Company's share capital.

12.4. The General Meeting of Shareholders shall be called as provided under and in observance of the publicity conditions provided by NSC regulations and by Law 31/1990.

Art 13. The organization of the General Meeting

13.1. Shareholders can attend and vote during the General Meeting in person or through a representative appointed based on a power-of-attorney granted for the purpose of that General Meeting as a written document given under private signature. The shareholders who do not hold the capacity of exercise as well as legal entities can be represented by their legal representatives who, in their turn, can grant a power-of- attorney to other persons for that general meeting. The company will make available to the shareholders the standard form of the power-of-attorney at least 5 days before the first convening of the General Meeting and the shareholders will submit the original powers-of-attorney at least 48 hours before the Meeting, under the sanction of losing the right to vote within that Meeting. The powers-of-attorneys shall be kept by the Company, which will be mentioned in the minutes.

13.2. The General Meeting of Shareholders will be chaired by the Chairman of the Meeting, who will be the Chairman of the Board of Directors or, in his absence, another member of the Board of Directors appointed by the latter. The Chairman of the Meeting will appoint a meeting secretary among the present shareholders and one or more technical secretaries.

13.3. The meeting secretary will draft a minute mentioning the issues debated and the decisions made, which minute will be signed by the Chairman of the Meeting and by the Secretary and will be kept in a special register the pages of which are marked by serial numbers, kept by the Board of Directors.



Art 14. The exercise of the voting right during the General Meeting of Shareholders

- 14.1. The resolutions of the General Meeting of Shareholders are usually adopted by open vote.
- 14.2. Upon the proposal of the President of the General Meeting or of a group of attending shareholders (present whether personally or by representatives) holding at least $\frac{1}{4}$ of the registered share capital, secret voting may be decided upon.
- 14.3. The secret voting is mandatory for the election and revocation of the members of the Board of Directors and of the financial auditor and for making the decisions related to the activity and liability of the Directors.
- 14.4. The decisions of the Ordinary General Meeting are validly passed under the following conditions:
- at the first convening: the shareholders representing at least $\frac{1}{2}$ of Company's share capital need to be present and the decisions need to be made based on the favourable vote of the shareholders holding the absolute majority of the share capital present or represented within the meeting;
 - upon the second convening: decisions can be made regardless of the share capital present/represented within the meeting, based on the favourable vote of the majority of the share capital present or represented within the meeting.
- 14.5. The decisions of the Extraordinary General Meeting of the Shareholders of the Company are validly made under the following conditions:
- at the first convening: shareholders representing at least $\frac{3}{4}$ of the share capital need to be present at the meeting, and decisions need to be made based on the favourable vote of the shareholders holding at least $\frac{1}{2}$ of the share capital, except for the case provided under Article 8.1.5. above;
 - at the second convening: shareholders representing at least $\frac{1}{2}$ of the share capital need to be present and decisions need to be made based on the favourable vote of shareholders holding at least $\frac{1}{3}$ of the share capital, which, in the case of the decisions for the amendment of company's main object of activity, for the decrease or increase of the share capital, for the change of the legal form, for merger, spin-off or dissolution of the Company, cannot be less than two thirds of the voting rights held by the shareholders present or represented within the Meeting.
- 14.6. The resolutions of the General Meetings of Shareholders adopted within the limits of the law and of the ARTICLES OF INCORPORATION, are mandatory even for the non-attending shareholders or those shareholders voting against them.

CHAPTER V

THE BOARD OF DIRECTORS

Art 15. Organization of the Board of Directors

- 15.1. The company is managed by the Board of Directors consisting of 5 (five) directors, Romanian or/and foreign citizens, elected by the General Meeting of Shareholders. The members of the Board of Directors may also hold the position of Company shareholders.

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15.2. Directors are elected for a 4 years' mandate and can be re-elected for new 4 years' mandates. The duration of directors' mandate can be changed by the decision of the General Meeting of Shareholders.

15.3. In case of vacancy of mandate of one or several directors, the Board of Directors will proceed to appointing provisional directors, until the Ordinary General Meeting of Shareholders which will appoint a final director for a duration equal to the period of time remaining until the expiry of the vacant mandate.

15.4. The members of the Board of Directors can be elected by cumulative vote procedure. Upon the request of a significant shareholder of the Company, the election of the Directors through the said procedure will become mandatory.

15.5. The Board of Directors is managed by a Chairman, a Romanian or foreign citizen, elected by the directors based on the majority vote of the directors.

15.6. The obligations and liabilities of the Directors are regulated by the rules applicable to mandates and, in addition, by the special rules applicable to the liabilities of the joint stock companies' Directors.

15.7. Directors will conclude a professional liability insurance policy for an insured amount whose minimum value whereof will be approved by the General Meeting.

Art.16 Board of Directors' Meetings

16.1. The Board of Directors will hold an Ordinary meeting at least once every three months and an Extraordinary meeting whenever necessary, at the Company headquarters or at another place provided in the notice to attend.

The meetings will be held by the physical presence of the directors at the place of the meeting or may be carried out by means of remote communication (e-mail, telephone, teleconferencing, videoconferencing, telefax).

16.2. The Board of Directors will be convened by the Chairman, unsolicited or upon the grounded request of at least two directors or of the General Manager, by any communication means likely to prove the reception of the notice to attend by the addressee: phone call followed by the written confirmation of the addressee, fax with confirmation of receipt, certified mail with confirmation of receipt, e-mail.

The notice to attend will indicate: the date, time and place of the meeting of the Board of Directors, the method of holding the meeting (physical presence or by distance communication means), as well as the agenda thereof.

If at least two of the directors oppose to holding the meeting of the Board of Directors by distance communication means, the meeting will be held by means of the physical participation of the directors. The opposition will be submitted within at most 2 business days as of the convening.

If the notice to attend to the meeting of the Board of Directors is sent, in accordance to this paragraph, less than 5 business days before the date established for holding the meeting, the documentation related to the issues registered on the agenda of board's meeting will be attached to the notice to attend, in full or excerpts thereof; in the other cases, the documents and information related to the issues on the agenda of the meeting shall be made available to the directors at least 5 business days before the date established for the meeting of the board.



If all the members of the Board of Directors are present and agree to hold the meeting of the board and to make decisions, the convening formalities are no longer needed.

16.3. The meetings of the Board of Directors are chaired by the Chairman of the Board and, in his absence, by a member of the Board of Directors appointed by him. The chairman appoints a secretary either from among the members of the board or from outside the board.

16.4 The Board of Directors can validly deliberate in the presence of at least three members and can make decisions with a majority of at least half plus one of the present members. In case of a tie, the chairman of the Board of Directors will have the casting vote, except if he is also a manager of the Company.

16.5. At the meetings of the Board of Directors, its members can only be represented by another member of the Board of Directors, based on a power-of-attorney given as a written document under private signature. A member of the Board of Directors can only represent another member of the Board of Directors.

16.6. The members of the Board participating to the meeting by any means of communication allowing their identification: phone, teleconference, videoconference, telefax, are also considered as present at Board's meeting.

16.7. The debates of the Board of Directors are registered in the special register of minutes of the meetings of the Board of Directors, drafted in accordance with the legal provisions. The minutes shall be signed by the Chairman of the meeting, by at least one other director and by the meeting secretary and, upon request, by the other members of the Board of Directors who have participated to the debates.

16.8. The Board of Directors can delegate to one or more of its members some of its prerogatives granting them a special power of attorney for one or more specific operations. The Board of Directors will delegate the management of the Company, in accordance with the applicable legal provisions, to one or more managers appointed from among the members of the Board or outside it, who will hold the capacity of managers commissioned for management as provided under Article 143 of Law 31/1990, hereinafter referred to as Executive Managers. One of them will be appointed General Manager. If the managers are appointed from among the directors, they will be executive directors, while the other members of the Board will be non-executive directors. The number of non-executive directors will always exceed the number of executive directors in the Board.

16.9. The Company will be represented and validly bound in relations with third parties by the Board of Directors, through the Chairman thereof. The power of representation will be delegated by the Board of Directors, by observing the legal provisions.

16.10. The Board of Directors has the obligation to make available to the shareholders and to the financial auditor, upon their request, Company's registers drafted according to the law and to issue, upon their request and at their expense, excerpts from such registers.

16.11. The Chairman and the members of the Board of Directors shall be jointly or severally liable, as the case may be, towards the company, for the damages resulting as a consequence of committing offences or of deviating from the legal provisions and/or from the provisions of these ARTICLES OF INCORPORATION,, as well as for the errors in the management of the Company. In such situations, the Directors could be dismissed by the resolution of the General Meeting of Shareholders.



16.12. The Company's trade union representatives can be invited to the meetings of the Board of Directors, where issues of professional, social or cultural interest for the employees are debated.

Art.17 Tasks of the Board of Directors

17.1 The Board of Directors has the following main tasks:

- a. Prepares and updates Company's registers according to the legal provisions;
- b. Hires and dismisses Company managers, establishing their rights and obligations;
- c. Appoints the Chairman of the Board;
- d. Contracts the Independent Registry which keeps the record of Company's shares;
- e. Approves the accounting as costs of the unrecoverable debts amounting to up to 0.5% of the turnover;
- f. Approves the write-off of the fixed assets;
- g. Approves the calculation system of fixed assets' depreciation as required by the law,
- h. Approves the research and development program and allocates the necessary financial resources;
- i. Approves the annual investment plan of the Company;
- j. Annually, within 4 months as of the end of the financial (accounting) year, submits for approval of the General Meeting of Shareholders Company's activity report, Company's annual financial statement drafted for the previous year in accordance with the specific regulations of the Ministry of Finance and NSC as well the draft of Company's activity programme and the budget project for the current year;
- k. Approves the conclusion of association agreements by the Company, by observing the exclusive competencies of the General Meeting of Shareholders in this respect.
- l. Other tasks established by the law in its competency.

17.2 The Directors are obliged to immediately report to NSC any legal document entered into by the Company and its Directors, employees, shareholders which control the Company, or entered by the Company and the persons related to the aforementioned, whose value represents at least the RON equivalent of 50,000 Euro.

The reports drafted according to this paragraph should mention any other information deemed necessary to identify the legal effects of such acts in respect to the financial situation of the Company.

17.3. Under the supervision of the Board of Directors, the Company will ensure all the necessary facilities and information in order to allow the shareholders to exercise the right granted by the shares held.

In this respect the Board of Directors has the obligation, according to the law, to:

- inform the shareholders on the call of the General Meeting of Shareholders, by observing the provisions of these ARTICLES OF INCORPORATION;
- inform the public on the distribution and payment of dividends, on the issuance of new shares, including on the distribution, subscription, conversion waiving operation;
- appoint a financial institution as payment agent of the Company, through which the shareholders may exercise their financial rights, except for the situation when the Company could provide these services by itself.

17.4. The Company, through its General Manager, will ensure that the reports provided under the law are drafted and sent to NSC and to the regulated market on which Company's shares are traded.



CHAPTER VI

EXECUTIVE MANAGERS. TECHNICAL MANAGERS. MANAGEMENT COMPANY

Art.18 Executive Managers. Technical Managers. Management Company

18.1. The Board of Directors entrusts the management of the Company to one or several Executive Managers, according to Article 143 of Law 31/1990, among which one is appointed General Manager of the Company. The Executive Managers are granted the possibility to expressly mandate a part of such prerogatives to technical managers empowered as per the policies applicable at Company level. The performance of Company's operations can also be entrusted to a management company, upon the proposal of the General Manager, subject to the approval of the Board of Directors.

18.2. The General Manager and the other Executive Managers benefit from a general mandate for representing the Company in front of third parties observing the "Levels of Authority" internal procedure.

The Executive Managers can, in their turn, expressly delegate such prerogatives, within the limit of the next two levels of authority, observing the "Levels of Authority" internal procedure.

Company's technical managers will not be considered managers in the sense of Article 143 of Law 31/1990, but are only in charge with the performance of the activities. The technical managers are appointed based on the decision of the General Manager.

18.3. By concluding the Consultancy and Management Service Agreement with the Management Company, the latter and its representative or, as the case may be, the representatives appointed by the Management Company will acquire the capacity of manager within the Company. The relations between the Company and the management company and the representative thereof will be governed by the provisions of the consultancy and management service agreement and by the legal provisions.

CHAPTER VII

MANAGEMENT OF THE COMPANY

Art. 19 Financial auditor

19.1. The annual financial statements of the Company shall be audited by an external auditor, appointed by the General Meeting of Shareholders, according to the regulations regarding the financial audit.

19.2. The rights and obligations of the auditor shall be established by a services contract concluded between the Company and the auditor.

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ACTIVITY OF THE COMPANY

Art.20 The economic-financial year

The economic-financial year starts on January 1st and ends on December 31st of each year. The first financial year starts at the date the Company is registered and ends on the 31st of December of the same year.

Art.21 Financial records

The Company shall keep its accounting records in RON, shall annually draw up the financial statements according to the Romanian legislation in force.

Art.22 Calculation and distribution of profit

22.1. The profit or the loss of the Company shall be determined based on the annual financial statements drafted in accordance with the legal provisions and approved by the General Meeting of Shareholders. The Company shall annually allocate at least 5% of its profits for the reserve fund, up to a level equal with minimum 20% of the share capital. The General Meeting of Shareholders may decide to establish other reserve funds.

22.2. Out of the profit, the Company can establish funds allocated to modernization, research and development of new products, investments, repairs, and other destinations established by the General Meeting of Shareholders.

22.3. The distribution of the net profit shall be made in accordance with the legal regulations, subject to the approval of the General Meeting of Shareholders.

22.4. The shareholders entitled to collect dividends and other rights, subject to the resolutions of the General Meeting of Shareholders shall be identified by the General Meeting of Shareholders according to the legal provisions in force. This date should be at least 10 working days further to the date of the General Meeting of Shareholders.

Once the dividends are settled, the General Meeting of Shareholders will settle the date for their payment to the shareholders, which can not be more than 6 months since the date of the General Meeting of Shareholders.



Chapter IX

CHANGE OF THE LEGAL FORM, DISSOLUTION, LIQUIDATION, DISPUTES

Art.23 Change of the legal form

The legal form of the Company may be changed subject to the decision of the General Meeting of Shareholders.

Art. 24 The dissolution of the Company

24.1. The Company will be dissolved in the following cases:

- a) The Incapacity to fulfil the main object of activity of the Company
- b) The cancellation (annulment) of the Company
- c) The bankruptcy and insolvency of the Company
- d) The decrease of the number of shareholders below the legal minimum number, if the remaining shareholders do not decide on the change of Company's legal form;
- e) As a consequence of a final, irrevocable and enforceable court decision;
- f) In any other circumstances according to the Law or the resolution of the General Meeting of Shareholders.

Art.25 The liquidation of the Company

25.1 As a result of the dissolution, the Company will enter into the liquidation procedure.

25.2 One or more liquidators will perform the liquidation of the Company. At the date the liquidators are appointed, Directors' mandates cease thus no longer being entitled to act in the name of the Company.

25.3 The General Meeting of Shareholders appoints the Liquidators. The Court may appoint the liquidators if the shareholders do not agree upon their appointment.

25.4 Liquidators' activity is supervised by financial auditors.

25.5 Liquidators undertake all Directors' responsibilities. As soon as they are appointed, the liquidators alongside with the Directors, have to draw up an inventory, evaluate the assets of the Company, to draw up a balance sheet reflecting the exact status of Company's rights and obligations and sign all documents mentioned above.

25.6 The liquidators have the obligation to receive and to keep all records and assets of the Company, entrusted to them by the Directors and to keep a record containing all the liquidation operations in chronological order.

25.7 In order to fulfil the mandate entrusted by the General Meeting of Shareholders, the liquidators will take all the necessary steps in order to keep the pending activities of the Company in progress, will cash in all of Company's receivables, and shall pay Company's debts and will undertake any operations needed to liquidate the Company.

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ZENTIVA

25.8 Liquidators can represent the Company in front of the Court and may conclude transactions with the creditors.

25.9 The amounts of money obtained from liquidation shall be used with priority to pay privileged creditors and consequently the other creditors. The liquidators shall draw up the liquidation balance sheet and shall forward proposals for the distribution of the financial results (profits and losses) between the shareholders proportionally to their contribution to the Share capital.

25.10 After the liquidation process is concluded, the liquidators shall take all the measures in order to cancel the Company from the Trade Registry.

Art.26 Disputes

26.1. The Disputes generated by the contractual relationships of the Company with third parties, legal or natural persons, shall be settled, as the case may be, by the Arbitration Courts or the Courts mentioned in the contracts the dispute is related to or by competent Romanian Courts.

26.2. Solving of the labour conflicts between the Company and its employees, related to the conclusion, performance, amendment, suspension and termination of the individual employment agreements or, if the case may be, related to the collective labour agreements will be settled by the competent jurisdiction according to the Labour Code provisions.

Chapter X

FINAL PROVISIONS

Art. 27 The provisions of these ARTICLES OF INCORPORATION shall be supplemented by the provisions of: the Romanian Commercial Code, the Law 31/1990, the Law 297/2004 regarding capital markets, and the regulations issued by NSC as well as by any other current legal applicable provisions.

These up-dated ARTICLES OF INCORPORATION was drawn up in 2 counterparts, today, 20 March 2023.

ZENTIVA SA
by Larisa Jurca
Attorney-in-fact





ZENTIVA SA

50 Theodor Pallady Blvd., sector 3

Registration number J40/363/1991 / CUI 336206

tax reference "RO"

Updated on 27 April 2023

ARTICLES OF INCORPORATION of

ZENTIVA SA

(the "Company")

Preamble:

We, the Shareholders of ZENTIVA S.A., have agreed to conclude these ARTICLES OF INCORPORATION, as a sole written document and as the deed issued for the updating of the ARTICLES OF INCORPORATION of ZENTIVA S.A., without thus creating a new trade company. As result, we have agreed that the initial ARTICLES OF INCORPORATION of the Company and the addenda concluded and registered to-date with the Trade Register Office near Bucharest Tribunal will be replaced by these ARTICLES OF INCORPORATION, made up of ten chapters and setting forth the following provisions:

Definitions:

The concepts of "involved parties", "persons acting jointly" and "significant shareholder", as well as any other specific concepts used hereunder shall be considered to have the meaning provided by Capital Market Law 297/2004, as further amended ("Law 297/2004"), by the regulations of the National Securities Commission ("NSC"), by Company Law 31/1990, republished, as further amended and completed ("Law 31/1990") and the other applicable legal provisions, except if otherwise provided hereunder.

Any references in the ARTICLES OF INCORPORATION to Capital Market Law 297/2004 and to Company Law 31/1990, republished, shall be replaced by the abbreviations defined in the Preamble.

CHAPTER I

NAME, LEGAL ORGANIZATION, REGISTERED OFFICE, TERM OF THE COMPANY

Art. 1 The name and emblem of the Company

1.1. The name of the Company is "ZENTIVA" S.A (according to the proof of name reservation no. 759216 as of 15.12.2005).

1.2. All documents, invoices, advertisements, publications as well any other documents issued by the Company, shall contain the name of the Company, legal form, headquarters, sole registration code and the fiscal attribute, as well as the share capital, mentioning the actual paid up capital, according to the last approved financial statement.

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Paribas - Bucharest Branch



1.3. The Company has an emblem consisting in the name “ZENTIVA”, as reserved at the Bucharest’s Trade Registry Office under the number 11.043 from 13.01.2006.

Art. 2 The legal form of the Company

The trade company “ZENTIVA” S.A. is a Romanian legal entity, being legally organized as a joint stock company admitted to trading on a regulated market according to the legal effectual provisions. The Company operates in accordance with the Romanian legal provisions regarding the issuers of securities, in accordance with the provisions of the Law 31/1990 and the provisions of these ARTICLES OF INCORPORATION.

Art. 3 The registered headquarters of the Company

3.1. The registered headquarters of the Company are located in Romania, Bucharest, 50 Theodor Pallady Str., 3rd district. The registered headquarters of the Company can be relocated to any address in Romania, based on the decision of the General Meeting of Shareholders, according to the legal provisions.

3.2. The Company, based on the resolutions of the Board of Directors, can establish branches, representative offices, agencies, working units and other secondary offices, as well as subsidiaries located in Romania and/or abroad.

Art. 4 The term of the Company

The term of the Company is unlimited, as of the date of the registration thereof with the Bucharest Trade Registry Office.

CHAPTER II COMPANY’S OBJECT OF ACTIVITY

Art.5 Zentiva SA’s object of activity is:

5.1. The main field of activity of the Company is:

NACE 211 – Manufacture of basic pharmaceutical products.

5.2. The main activity of the Company is:

NACE 2120- Manufacture of Pharmaceutical Preparations.

5.3. The secondary activities of the Company are:

NACE 1089 – Manufacture of other food products n.e.c.

NACE 0240 - Support services to forestry

NACE 1721 – Manufacture of corrugated paper and paperboard and of containers of paper and paperboard

NACE 1729 - Manufacture of other articles of paper and paperboard

NACE 1812 – Other printing

NACE 1813 - Pre-press and pre-media services

NACE 2059 – Manufacture of other chemical products n.e.c.

NACE 2110 - Manufacture of basic pharmaceutical products

NACE 2319 – Manufacture and processing of other glass, including technical glassware

NACE 2611 - Manufacture of electronic components

NACE 3250 – Manufacture of medical and dental instruments and supplies

NACE 3312 - Repair of machinery

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NACE 3319 - Repair of other equipment
NACE 3320 - Installation of industrial machinery and equipment
NACE 3511 - Production of electricity
NACE 3521 - Manufacture of gas
NACE 3522 - Distribution of gaseous fuels through mains
NACE 3523 Trade of gas through mains
NACE 3831 Dismantling of wrecks
NACE 3832 Recovery of sorted materials
NACE 4321 Electrical installation
NACE 4322 Plumbing, heat and air-conditioning installation
NACE 4329 Other construction installation
NACE 4511 Sale of cars and light motor vehicles
NACE 4519 Sale of other motor vehicles
NACE 4520 Maintenance and repair of motor vehicles
NACE 4618 Agents specialised in the sale of other particular products
NACE 4619 Agents involved in the sale of a variety of goods
NACE 4636 Wholesale of sugar and chocolate and sugar confectionery
NACE 4638 Wholesale of other food, including fish, crustaceans and molluscs
NACE 4639 Non-specialised wholesale of food, beverages and tobacco
NACE 4645 Wholesale of perfume and cosmetics
NACE 4646 Wholesale of pharmaceutical goods
NACE 4675 Wholesale of chemical products
NACE 4676 Wholesale of other intermediate products
NACE 4741 Retail sale of computers, peripheral units and software in specialised stores
NACE 4742 Retail sale of telecommunications equipment in specialised stores
NACE 4753 Retail sale of carpets, rugs, wall and floor coverings in specialised stores
NACE 4759 Retail sale of furniture, lighting equipment and other household articles in specialised stores
NACE 4764 Retail sale of sporting equipment in specialised stores
NACE 4765 Retail sale of games and toys in specialised stores
NACE 4771 Retail sale of clothing in specialised stores
NACE 4773 Dispensing chemist in specialised stores
NACE 4774 Retail sale of medical and orthopaedic goods in specialised stores
NACE 4776 Retail sale of flowers, plants, seeds, fertilisers, pet animals and pet food in specialised stores
NACE 4777 Retail sale of watches and jewellery in specialised stores
NACE 4778 Other retail sale of new goods in specialised stores
NACE 4779 Retail sale of second-hand goods in stores
NACE 4939 Other passenger land transport n.e.c.
NACE 4941 Freight transport by road
NACE 4942 Removal services
NACE 5210 Warehousing and storage
NACE 5221 Service activities incidental to land transportation
NACE 5224 Cargo handling
NACE 5229 Other transportation support activities
NACE 5320 Other postal and courier activities
NACE 5811 Book publishing
NACE 5812 Publishing of directories and mailing lists



NACE 5813 Publishing of newspapers
NACE 5814 Publishing of journals and periodicals
NACE 5819 Other publishing activities
NACE 5821 Publishing of computer games
NACE 5829 Other software publishing
NACE 5920 Sound recording and music publishing activities
NACE 6010 Radio broadcasting
NACE 6020 Television programming and broadcasting activities
NACE 6190 Other telecommunications activities
NACE 6201 Computer programming activities
NACE 6202 Computer consultancy activities
NACE 6203 Computer facilities management activities
NACE 6209 Other information technology and computer service activities
NACE 6311 Data processing, hosting and related activities
NACE 6312 Web portals
NACE 6420 Activities of holding companies
NACE 6492 Other credit granting (intercompany operations)
NACE 6820 Renting and operating of own or leased real estate
NACE 6920 Accounting, bookkeeping and auditing activities; tax consultancy
NACE 7010 Activities of head offices
NACE 7021 Public relations and communication activities
NACE 7022 Business and other management consultancy activities
NACE 7111 Architectural activities
NACE 7112 Engineering activities and related technical consultancy
NACE 7120 Technical testing and analysis
NACE 7311 Advertising agencies
NACE 7312 Media representation
NACE 7320 Market research and public opinion polling
NACE 7490 Other professional, scientific and technical activities n.e.c.
NACE 7711 Renting and leasing of cars and light motor vehicles
NACE 7733 Renting and leasing of office machinery and equipment (including computers)
NACE 7820 Temporary employment agency activities
NACE 7830 Other human resources provision
NACE 8020 Security systems service activities
NACE 8110 Combined facilities support activities
NACE 8211 Combined office administrative service activities
NACE 8219 Photocopying, document preparation and other specialised office support activities
NACE 8220 Activities of call centres
NACE 8230 Organisation of conventions and trade shows
NACE 8291 Activities of collection agencies and credit bureaus
NACE 8299 Other business support service activities n.e.c.
NACE 8560 Educational support activities
NACE 9101 Library and archives activities
NACE 9511 Repair of computers and peripheral equipment



CHAPTER III REGISTERED SHARE CAPITAL, SHARES

Art. 6 The registered share capital

6.1. The registered capital of the company ZENTIVA S.A. is of RON 69,701,704 and it consists of in kind and cash contributions.

6.2. The Company's share capital is divided into 697,017,040 nominal shares of RON 0.1 each.

6.3. The new structure of the fully subscribed and paid up share capital of the Company is the following:

- the shareholder Zentiva Group a.s., headquartered in Czech Republic, Prague 10, Dolní Měcholupy, U Kabelovny 130, postal code 10237, holds 668,778,101 shares totalling RON 66,877,810.1 representing 95.9486% of Company's share capital;
- other natural and legal persons holding 28,238,939 shares, totalling RON 2,823,893.9, representing 4.0514% of Company's share capital.

Art. 7 The shares

The shares issued by the Company are nominal, indivisible, equal in value, dematerialised, freely negotiable and fully subscribed and paid up and shall be numbered by the Independent Registry company contracted by the Company for the purpose to maintain the shares evidence in the Shareholder's Registry.

Art. 8 The increase and the decrease of share capital

8.1 The increase of the share capital

8.1.1. Company's share capital can be increased based on the decision of the General Extraordinary Meeting of Shareholders, in accordance with the legal provisions in force and of the present ARTICLES OF INCORPORATION.

8.1.2 The Company can increase its share capital, under the provisions of these ARTICLES OF INCORPORATION and of the legal provisions in force, by issuing new shares or increasing the nominal value (par value) of the existing shares in exchange of new contributions in cash or in kind or by incorporating the reserves (except for the legal reserves), as well as the benefits or issue premiums. The increase of the Share Capital can also be carried out by any other methods allowed by the law.

8.1.3 Company's share capital can include only the competitive assets necessary for the performance of Company's object of activity. If the share capital increase is done by contributions in kind, the General Extraordinary Meeting of Shareholders shall appoint one or several independent experts to assess these contributions, in accordance with the legal provisions.

The number of shares to be allocated following the contribution in kind to the share capital will be determined as a ratio between the value of the contribution in kind, according to the above mentioned expertise report and the highest of the market value for one share, the value per share computed based on the accounting net assets or the nominal value (par value) of a share, according to the law.

8.1.4. The shareholders benefit from the right of first refusal for the subscription of the new shares issued for the increase of the share capital, within the limits of their contribution to Company's share capital.

8.1.5 The General Extraordinary Meeting of the Shareholders can bar the pre-emption right of the shareholders to the subscription of the new shares, if the following conditions are cumulatively met:

- in the presence of at least $\frac{3}{4}$ of the holders of the share capital;



- by the vote of the shareholders owning at least 75% of the rights to vote within the meeting.

Art 8.2 The decrease of the share capital

8.2.1 The General Extraordinary Meeting of the Shareholders shall decide on the decrease of the share capital of the Company. The share capital can be decreased due to well-grounded reasons and only up to the minimum limit stipulated by the law.

8.2.2. The decrease of the Share capital can be performed only after the elapse of two months as of the date when the resolution of the General Extraordinary Meeting is published in the Official Gazette of Romania.

Art. 9 The rights and obligations deriving from shares

9.1. Each subscribed and paid up share grants to its holder a voting right during the General Meeting of the Shareholders, the right to elect and to be elected in the management bodies of the Company, the right to participate to the distribution of the Company's profits, according to the provisions of these ARTICLES OF INCORPORATION and the legal provisions, as well as any other rights forthcoming from the ownership over the shares within the limits set forth by these ARTICLES OF INCORPORATION and as provided by the law.

9.2 The rights, benefits and obligations that result from any or all shares owned by a shareholder, shall be transferred in the same time with the transfer of the ownership right over the shares, according to the law.

9.3 Each shareholder undertakes to observe the provisions of these ARTICLES OF INCORPORATION.

9.4. Company's obligations are secured by the assets thereof and Company's shareholders will be held liable for the performance of Company's obligations only within the limits of the share capital subscribed.

9.5. The Company's patrimony may not be encumbered by debts or other personal liabilities of the shareholders.

9.6 A creditor of a shareholder can formulate claims over that part of Company's profit distributed as dividends by the General Meeting of Shareholders or over the shareholder quota from the Company's assets following the liquidation procedure performed in accordance with the provisions of these ARTICLES OF INCORPORATION and the legal effectual provisions.

9.7 The shareholders must exercise their rights deriving from the shares in good faith and by observing the rights and legitimate interest of the other shareholders and the priority interest of the Company, otherwise being held liable for the inflicted damages.

9.8 The abusive use of the capacity of shareholder, following performance of unfair or fraudulent deeds (determined in accordance with the applicable law), which results in the restriction of the rights granted by the shares or damages inflicted to other shareholders is prohibited by the law and triggers the personal liability of the shareholders in accordance with the law.

Art. 10 Transfer of shares

10.1. Company's shares are indivisible.

10.2. When a nominal share falls into the indivisible ownership of several persons, the Independent Register Company in charge for the evidence of Company's shares is not obliged to register the ownership transfer until those persons appoint a sole representative for the purpose of exercising the right deriving from such nominal share.

As long as a share is indivisibly owned by several persons, those persons are jointly liable for the payment of such a share.

10.3. The partial or total assignment of the shares between shareholders or third parties shall be performed in accordance with the Law no. 297/2004.



10.4. Company's shares may be traded according to the law, only on a regulated market designated by the General Meeting of Shareholders.

CHAPTER IV

GENERAL MEETING OF SHAREHOLDERS

Art 11. The General Meeting of Shareholders

11.1. The General Meeting of Shareholders is the supreme managing body of the Company having a general capacity to decide in respect to its activity and its economic, trade and development policy.

11.2 The General Meeting of Shareholders can be Ordinary and Extraordinary. The resolutions of the General Meeting of Shareholders are adopted according to the law and the provisions of these ARTICLES OF INCORPORATION and are mandatory for all shareholders.

11.3. **The General Ordinary Meeting** will meet at least once a year, within at most 4 months after the end of the financial year for the following purposes:

- a) Debate, approve or modify the yearly financial statements approved by the Board of Directors, based on Directors' and Auditors' reports and establishes the value of the dividends and the deadline for their distribution;
- b) Identification of the shareholders eligible to receive dividends;
- c) Electing and revoking the directors, establishing their remuneration and the minimum value of the amount insured by the professional civil liability insurance, as well as the general limits for the remuneration of directors and managers, subject to the delegation of prerogatives for managing the Company;
- d) Appointment of the financial auditor as well of the authorised person to sign the services contract concluded with the auditor on behalf of the Company;
- e) Approval of directors' management report;
- f) Approval and amendment of the business plan, of the annual budget and the activity schedule of the Company, proposed for approval by the Directors;
- g) Any other issue pertaining to its decisional competence.

11.4. **The General Extraordinary Meeting** shall be convened whenever necessary to make a decision related to:

- a) The change of Company's share capital;
- b) The change of Company's object of activity;
- c) The change of Company's organization form;
- d) The relocation of Company's registered headquarters;
- e) Merger with other companies or the division of the Company;
- f) The anticipated dissolution of the company;
- g) Issue of bonds;
- h) The undertaking of long or short term loans whose value exceeds half of the accounting value of Company's assets as at the date of the execution of the relevant legal document;
- i) The approval of all legal instruments in connection with the acquisition, alienation, exchange or pledge of some of the immovable assets of the Company, whose value exceeds 20% of the value of the total immovable assets of the Company, considered individually, for each legal instrument, or cumulatively, during a financial year, minus the value of the receivables at the date of the execution of the relevant legal instrument;
- j) The approval of legal deeds concerning the rental of fixed assets of the Company for a period longer than 1 year, whose individual value exceeds 20% of the value of the total immovable assets of the Company, considered



individually or cumulatively in relation to the same contracting party or to involved persons or to persons coordinating their actions, minus the receivables at the date of the execution of the relevant legal instrument;

k) The approval of the association agreements concluded by the Company if they are concluded for a period longer than 1 year, whose value exceeds 20% of the value of the total immovable assets of the Company, considered individually or cumulatively in relation to the same contracting party or to involved persons or to persons coordinating their actions, minus the receivables at the date of the execution of the relevant legal instrument;

l) The approval of any amendment to Company's ARTICLES OF INCORPORATION. In this case, prior to convening the General Extraordinary Meeting of Shareholders for the amendment of the ARTICLES OF INCORPORATION, the draft of the proposed amendments shall be sent to NSC and to securities market where the Company's shares are traded;

m) Pass any other resolution that needs the approval of the General Extraordinary Meeting of Shareholders in order to be enforced.

Art 12. Convening of the General Assemblies

12.1. The General Meeting of Shareholders shall be convened by the Board of Directors, pursuant to the decision thereof and in observance of the law.

12.2. The Ordinary General Meeting is held at least once a year, according to the provisions stipulated at art. 11.3, as well as whenever is necessary to approve a resolution of its own competence, according to the legal provisions in force and of these ARTICLES OF INCORPORATION.

12.3. The Board of Directors has the obligation to convene the General Extraordinary Meeting of Shareholders upon the request of shareholders representing at least 10% of the share capital, upon the request of financial auditors or if, further to the occurrence of loss, the value of the net assets determined as the balance between the total assets and the total liabilities of the Company is less than half of Company's share capital.

12.4. The General Meeting of Shareholders shall be called as provided under and in observance of the publicity conditions provided by NSC regulations and by Law 31/1990.

Art 13. The organization of the General Meeting

13.1. Shareholders can attend and vote during the General Meeting in person or through a representative appointed based on a power-of-attorney granted for the purpose of that General Meeting as a written document given under private signature. The shareholders who do not hold the capacity of exercise as well as legal entities can be represented by their legal representatives who, in their turn, can grant a power-of- attorney to other persons for that general meeting. The company will make available to the shareholders the standard form of the power-of-attorney at least 5 days before the first convening of the General Meeting and the shareholders will submit the original powers-of-attorney at least 48 hours before the Meeting, under the sanction of losing the right to vote within that Meeting. The powers-of-attorneys shall be kept by the Company, which will be mentioned in the minutes.

13.2. The General Meeting of Shareholders will be chaired by the Chairman of the Meeting, who will be the Chairman of the Board of Directors or, in his absence, another member of the Board of Directors appointed by the latter. The Chairman of the Meeting will appoint a meeting secretary among the present shareholders and one or more technical secretaries.

13.3. The meeting secretary will draft a minute mentioning the issues debated and the decisions made, which minute will be signed by the Chairman of the Meeting and by the Secretary and will be kept in a special register the pages of which are marked by serial numbers, kept by the Board of Directors.



Art 14. The exercise of the voting right during the General Meeting of Shareholders

14.1. The resolutions of the General Meeting of Shareholders are usually adopted by open vote.

14.2. Upon the proposal of the President of the General Meeting or of a group of attending shareholders (present whether personally or by representatives) holding at least $\frac{1}{4}$ of the registered share capital, secret voting may be decided upon.

14.3. The secret voting is mandatory for the election and revocation of the members of the Board of Directors and of the financial auditor and for making the decisions related to the activity and liability of the Directors.

14.4. The decisions of the Ordinary General Meeting are validly passed under the following conditions:

- at the first convening: the shareholders representing at least $\frac{1}{2}$ of Company's share capital need to be present and the decisions need to be made based on the favourable vote of the shareholders holding the absolute majority of the share capital present or represented within the meeting;
- upon the second convening: decisions can be made regardless of the share capital present/represented within the meeting, based on the favourable vote of the majority of the share capital present or represented within the meeting.

14.5. The decisions of the Extraordinary General Meeting of the Shareholders of the Company are validly made under the following conditions:

- at the first convening: shareholders representing at least $\frac{3}{4}$ of the share capital need to be present at the meeting, and decisions need to be made based on the favourable vote of the shareholders holding at least $\frac{1}{2}$ of the share capital, except for the case provided under Article 8.1.5. above;
- at the second convening: shareholders representing at least $\frac{1}{2}$ of the share capital need to be present and decisions need to be made based on the favourable vote of shareholders holding at least $\frac{1}{3}$ of the share capital, which, in the case of the decisions for the amendment of company's main object of activity, for the decrease or increase of the share capital, for the change of the legal form, for merger, spin-off or dissolution of the Company, cannot be less than two thirds of the voting rights held by the shareholders present or represented within the Meeting.

14.6. The resolutions of the General Meetings of Shareholders adopted within the limits of the law and of the ARTICLES OF INCORPORATION, are mandatory even for the non-attending shareholders or those shareholders voting against them.

CHAPTER V THE BOARD OF DIRECTORS

Art 15. Organization of the Board of Directors

15.1. The company is managed by the Board of Directors consisting of 5 (five) directors, Romanian or/and foreign citizens, elected by the General Meeting of Shareholders. The members of the Board of Directors may also hold the position of Company shareholders.

15.2. Directors are elected for a 4 years' mandate and can be re-elected for new 4 years' mandates. The duration of directors' mandate can be changed by the decision of the General Meeting of Shareholders.

15.3. In case of vacancy of mandate of one or several directors, the Board of Directors will proceed to appointing provisional directors, until the Ordinary General Meeting of Shareholders which will appoint a final director for a duration equal to the period of time remaining until the expiry of the vacant mandate.

15.4. The members of the Board of Directors can be elected by cumulative vote procedure. Upon the request of a



significant shareholder of the Company, the election of the Directors through the said procedure will become mandatory.

15.5. The Board of Directors is managed by a Chairman, a Romanian or foreign citizen, elected by the directors based on the majority vote of the directors.

15.6. The obligations and liabilities of the Directors are regulated by the rules applicable to mandates and, in addition, by the special rules applicable to the liabilities of the joint stock companies' Directors.

15.7. Directors will conclude a professional liability insurance policy for an insured amount whose minimum value whereof will be approved by the General Meeting.

Art.16 Board of Directors' Meetings

16.1. The Board of Directors will hold an Ordinary meeting at least once every three months and an Extraordinary meeting whenever necessary, at the Company headquarters or at another place provided in the notice to attend.

The meetings will be held by the physical presence of the directors at the place of the meeting or may be carried out by means of remote communication (e-mail, telephone, teleconferencing, videoconferencing, telefax).

16.2. The Board of Directors will be convened by the Chairman, unsolicited or upon the grounded request of at least two directors or of the General Manager, by any communication means likely to prove the reception of the notice to attend by the addressee: phone call followed by the written confirmation of the addressee, fax with confirmation of receipt, certified mail with confirmation of receipt, e-mail.

The notice to attend will indicate: the date, time and place of the meeting of the Board of Directors, the method of holding the meeting (physical presence or by distance communication means), as well as the agenda thereof.

If at least two of the directors oppose to holding the meeting of the Board of Directors by distance communication means, the meeting will be held by means of the physical participation of the directors. The opposition will be submitted within at most 2 business days as of the convening.

If the notice to attend to the meeting of the Board of Directors is sent, in accordance to this paragraph, less than 5 business days before the date established for holding the meeting, the documentation related to the issues registered on the agenda of board's meeting will be attached to the notice to attend, in full or excerpts thereof; in the other cases, the documents and information related to the issues on the agenda of the meeting shall be made available to the directors at least 5 business days before the date established for the meeting of the board.

If all the members of the Board of Directors are present and agree to hold the meeting of the board and to make decisions, the convening formalities are no longer needed.

16.3. The meetings of the Board of Directors are chaired by the Chairman of the Board and, in his absence, by a member of the Board of Directors appointed by him. The chairman appoints a secretary either from among the members of the board or from outside the board.

16.4 The Board of Directors can validly deliberate in the presence of at least three members and can make decisions with a majority of at least half plus one of the present members. In case of a tie, the chairman of the Board of Directors will have the casting vote, except if he is also a manager of the Company.

16.5. At the meetings of the Board of Directors, its members can only be represented by another member of the Board of Directors, based on a power-of-attorney given as a written document under private signature. A member of the Board of Directors can only represent another member of the Board of Directors.

16.6. The members of the Board participating to the meeting by any means of communication allowing their identification: phone, teleconference, videoconference, telefax, are also considered as present at Board's meeting.

16.7. The debates of the Board of Directors are registered in the special register of minutes of the meetings of the Board of Directors, drafted in accordance with the legal provisions. The minutes shall be signed by the Chairman of the meeting, by at least one other director and by the meeting secretary and, upon request, by the other members of the



Board of Directors who have participated to the debates.

16.8. The Board of Directors can delegate to one or more of its members some of its prerogatives granting them a special power of attorney for one or more specific operations. The Board of Directors will delegate the management of the Company, in accordance with the applicable legal provisions, to one or more managers appointed from among the members of the Board or outside it, who will hold the capacity of managers commissioned for management as provided under Article 143 of Law 31/1990, hereinafter referred to as Executive Managers. One of them will be appointed General Manager. If the managers are appointed from among the directors, they will be executive directors, while the other members of the Board will be non-executive directors. The number of non-executive directors will always exceed the number of executive directors in the Board.

16.9. The Company will be represented and validly bound in relations with third parties by the Board of Directors, through the Chairman thereof. The power of representation will be delegated by the Board of Directors, by observing the legal provisions.

16.10. The Board of Directors has the obligation to make available to the shareholders and to the financial auditor, upon their request, Company's registers drafted according to the law and to issue, upon their request and at their expense, excerpts from such registers.

16.11. The Chairman and the members of the Board of Directors shall be jointly or severally liable, as the case may be, towards the company, for the damages resulting as a consequence of committing offences or of deviating from the legal provisions and/or from the provisions of these ARTICLES OF INCORPORATION, as well as for the errors in the management of the Company. In such situations, the Directors could be dismissed by the resolution of the General Meeting of Shareholders.

16.12. The Company's trade union representatives can be invited to the meetings of the Board of Directors, where issues of professional, social or cultural interest for the employees are debated.

Art.17 Duties of the Board of Directors

17.1 The Board of Directors has the following main duties:

- a. Prepares and updates Company's registers according to the legal provisions;
- b. Hires and dismisses Company managers, establishing their rights and obligations;
- c. Appoints the Chairman of the Board;
- d. Contracts the Independent Registry which keeps the record of Company's shares;
- e. Approves the accounting as costs of the unrecoverable debts amounting to up to 0.5% of the turnover;
- f. Approves the write-off of the fixed assets;
- g. Approves the calculation system of fixed assets' depreciation as required by the law,
- h. Approves the research and development program and allocates the necessary financial resources;
- i. Approves the annual investment plan of the Company;
- j. Annually, within 4 months as of the end of the financial (accounting) year, submits for approval of the General Meeting of Shareholders Company's activity report, Company's annual financial statement drafted for the previous year in accordance with the specific regulations of the Ministry of Finance and NSC as well the draft of Company's activity programme and the budget project for the current year;
- k. Approves the conclusion of association agreements by the Company, by observing the exclusive competencies of the General Meeting of Shareholders in this respect;
- l. Incorporation or dissolution of one or several of Company's subsidiaries, representative offices, agencies, or any other secondary establishments of the Company as well as the incorporation of Company's branches;



m. Other tasks established by the law in its competency.

17.2 The Directors are obliged to immediately report to NSC any legal document entered into by the Company and its Directors, employees, shareholders which control the Company, or entered by the Company and the persons related to the aforementioned, whose value represents at least the RON equivalent of 50,000 Euro.

The reports drafted according to this paragraph should mention any other information deemed necessary to identify the legal effects of such acts in respect to the financial situation of the Company.

17.3. Under the supervision of the Board of Directors, the Company will ensure all the necessary facilities and information in order to allow the shareholders to exercise the right granted by the shares held.

In this respect the Board of Directors has the obligation, according to the law, to:

- i. inform the shareholders on the call of the General Meeting of Shareholders, by observing the provisions of these ARTICLES OF INCORPORATION;
- ii. inform the public on the distribution and payment of dividends, on the issuance of new shares, including on the distribution, subscription, conversion waiving operation;
- iii. appoint a financial institution as payment agent of the Company, through which the shareholders may exercise their financial rights, except for the situation when the Company could provide these services by itself.

17.4. The Company, through its General Manager, will ensure that the reports provided under the law are drafted and sent to NSC and to the regulated market on which Company's shares are traded.

Chapter VI

EXECUTIVE MANAGERS. TECHNICAL MANAGERS. MANAGEMENT COMPANY

Art.18 Executive Managers. Technical Managers. Management Company

18.1. The Board of Directors entrusts the management of the Company to one or several Executive Managers, according to Article 143 of Law 31/1990, among which one is appointed General Manager of the Company. The Executive Managers are granted the possibility to expressly mandate a part of such prerogatives to technical managers empowered as per the policies applicable at Company level. The performance of Company's operations can also be entrusted to a management company, upon the proposal of the General Manager, subject to the approval of the Board of Directors.

18.2. The General Manager and the other Executive Managers benefit from a general mandate for representing the Company in front of third parties.

The Executive Managers can, in their turn, expressly delegate such prerogatives, within the limit of the next two levels of authority, observing the "Levels of Authority" internal procedure.

Company's technical managers will not be considered managers in the sense of Article 143 of Law 31/1990, but are only in charge with the performance of the activities. The technical managers are appointed based on the decision of the General Manager.

18.3. By concluding the Consultancy and Management Service Agreement with the Management Company, the latter and its representative or, as the case may be, the representatives appointed by the Management Company will acquire the capacity of manager within the Company. The relations between the Company and the management company and the representative thereof will be governed by the provisions of the consultancy and management service agreement and by the legal provisions.



CHAPTER VII MANAGEMENT OF THE COMPANY

Art. 19 Financial auditor

19.1. The annual financial statements of the Company shall be audited by an external auditor, appointed by the General Meeting of Shareholders, according to the regulations regarding the financial audit.

19.2. The rights and obligations of the auditor shall be established by a services contract concluded between the Company and the auditor.

CHAPTER VIII ACTIVITY OF THE COMPANY

Art.20 The economic-financial year

The economic-financial year starts on January 1st and ends on December 31st of each year. The first financial year starts at the date the Company is registered and ends on the 31st of December of the same year.

Art.21 Financial records

The Company shall keep its accounting records in RON, shall annually draw up the financial statements according to the Romanian legislation in force.

Art.22 Calculation and distribution of profit

22.1. The profit or the loss of the Company shall be determined based on the annual financial statements drafted in accordance with the legal provisions and approved by the General Meeting of Shareholders. The Company shall annually allocate at least 5% of its profits for the reserve fund, up to a level equal with minimum 20% of the share capital. The General Meeting of Shareholders may decide to establish other reserve funds.

22.2. Out of the profit, the Company can establish funds allocated to modernization, research and development of new products, investments, repairs, and other destinations established by the General Meeting of Shareholders.

22.3. The distribution of the net profit shall be made in accordance with the legal regulations, subject to the approval of the General Meeting of Shareholders.

22.4. The shareholders entitled to collect dividends and other rights, subject to the resolutions of the General Meeting of Shareholders shall be identified by the General Meeting of Shareholders according to the legal provisions in force. This date should be at least 10 working days further to the date of the General Meeting of Shareholders. Once the dividends are settled, the General Meeting of Shareholders will settle the date for their payment to the shareholders, which can not be more than 6 months since the date of the General Meeting of Shareholders.

Chapter IX CHANGE OF THE LEGAL FORM, DISSOLUTION, LIQUIDATION, DISPUTES

Art.23. Change of the legal form

The legal form of the Company may be changed subject to the decision of the General Meeting of Shareholders.



Art. 24. The dissolution of the Company

- 24.1. The Company will be dissolved in the following cases:
- a) The Incapacity to fulfil the main object of activity of the Company;
 - b) The cancellation (annulment) of the Company;
 - c) The bankruptcy and insolvency of the Company;
 - d) The decrease of the number of shareholders below the legal minimum number, if the remaining shareholders do not decide on the change of Company's legal form;
 - e) As a consequence of a final, irrevocable and enforceable court decision;
 - f) In any other circumstances according to the Law or the resolution of the General Meeting of Shareholders.
- 24.2. Dissolution of the Company determines the commencement of the liquidation procedure.

Art.25. The liquidation of the Company

- 25.1 As a result of the dissolution, the Company will enter into the liquidation procedure.
- 25.2 One or more liquidators will perform the liquidation of the Company. At the date the liquidators are appointed, Directors' mandates cease, thus no longer being entitled to act in the name of the Company.
- 25.3 The General Meeting of Shareholders appoints the Liquidators. The Court may appoint the liquidators if the shareholders do not agree upon their appointment.
- 25.4 Liquidators' activity is supervised by financial auditors.
- 25.5 Liquidators undertake all Directors' responsibilities. As soon as they are appointed, the liquidators along-side with the Directors, have to draw up an inventory, evaluate the assets of the Company, to draw up a balance sheet reflecting the exact status of Company's rights and obligations and sign all documents mentioned above.
- 25.6 The liquidators have the obligation to receive and to keep all records and assets of the Company, entrusted to them by the Directors and to keep a record containing all the liquidation operations in chronological order.
- 25.7 In order to fulfil the mandate entrusted by the General Meeting of Shareholders, the liquidators will take all the necessary steps in order to keep the pending activities of the Company in progress, will cash in all of Company's receivables, and shall pay Company's debts and will undertake any operations needed to liquidate the Company.
- 25.8 Liquidators can represent the Company in front of the Court and may conclude transactions with the creditors.
- 25.9 The amounts of money obtained from liquidation shall be used with priority to pay privileged creditors and consequently the other creditors. The liquidators shall draw up the liquidation balance sheet and shall forward proposals for the distribution of the financial results (profits and losses) between the shareholders proportionally to their contribution to the Share capital.
- 25.10 After the liquidation process is concluded, the liquidators shall take all the measures in order to cancel the Company from the Trade Registry.

Art.26 Disputes

- 26.1. The Disputes generated by the contractual relationships of the Company with third parties, legal or natural persons, shall be settled, as the case may be, by the Arbitration Courts or the Courts mentioned in the contracts the dispute is related to or by competent Romanian Courts.
- 26.2. Solving of the labour conflicts between the Company and its employees, related to the conclusion, performance, amendment, suspension and termination of the individual employment agreements or, if the case may be, related to the collective labour agreements will be settled by the competent jurisdiction according to the Labour Code provisions.



Chapter X
FINAL PROVISIONS

Art. 27 The provisions of these ARTICLES OF INCORPORATION shall be supplemented by the provisions of: the Law 31/1990, the Law 297/2004 regarding capital markets, and the regulations issued by NSC as well as by any other current legal applicable provisions.

These up-dated articles of incorporation was drawn up in 4 counterparts, today, 27 April 2023.

ZENTIVA SA

By: **Simona Cocos**, *in capacity as general manager/ attorney in fact*



Către: *Consiliul de Administrație al Zentiva S.A.
Bld. Theodor Pallady nr. 50, Sector 3, 032266, București, România* **To:** *Board of Directors of Zentiva S.A.
50 Theodor Pallady Bd., 3rd District, 032266, Bucharest, Romania*

În atenția: *Dnei. Simona Cocoș, Director General și Președinte al Consiliului de Administrație* **Attn:** *Mrs. Simona Cocoș, General Manager and Chairman of the Board of Directors*

Dlui. Petru Ursache, Secretar al Consiliului de Administrație *Mr. Petru Ursache, Secretary of the Board of Directors*

Subiect: *Demisie din poziția mea de membru al Consiliului de Administrație, al comitetului de audit și al comitetului de remunerare al Zentiva S.A.* **Subject:** *Resignation from my position of Member of the Board of Directors, member of the audit committee and member of the remuneration committee of Zentiva S.A.*

Data: 10 februarie 2023 **Date:** 10 February 2023

Subsemnatul, **Kevin Joseph Clifford**, cetățean britanic, născut la data de 9 noiembrie 1968, în Eastbourne, Anglia, având domiciliul (locuința principală) în 15 Keaver Drive, Frimley, Surrey, Regatul Unit, Gu16 8AB, identificat cu pașaport nr. 532272776, emis de IPS, la data de 17 septembrie 2015, valabil până la data de 17 septembrie 2025,

The undersigned, **Kevin Joseph Clifford**, British citizen, born on 9 November 1968, in Eastbourne, England, having the domicile (main residence) in 15 Keaver Drive, Frimley, Surrey, Gu16 8AB, United Kingdom, identified with Passport no. 532272776, issued by IPS on 17 September 2015, valid until 17 September 2025,

în calitate de membru al consiliului de administrație al **Zentiva SA**, o societate pe acțiuni organizată și funcționând în conformitate cu legislația din România, având sediul social în București, bd. Theodor Pallady nr. 50, Sector 3, România, înregistrată la Registrul Comerțului sub nr. J40/363/1991, cod unic de înregistrare 336206 (**Societatea**),

in my capacity as member of the board of directors of **Zentiva SA**, a joint-stock company, organized and existing under the laws of Romania, with registered office at 50 Theodor Pallady Blvd., Sector 3, Bucharest, Romania, registered with the Bucharest Trade Commercial Registry under no. J40/363/1991, Sole Registration Code 336206 (**the Company**),

prin prezenta demisionez din poziția de membru al consiliului de administrație al Societății, precum și din orice alte poziții deținute în Societate, precum membru în comitetul de audit și membru în comitetul de remunerare al Societății.

I hereby resign from my position of member of the board of directors of the Company, as well as from any other position held in the Company, such as member of the audit committee and member of the remuneration committee of the Company.

Prin prezenta, confirm și recunosc că nu am niciun drept și nicio pretenție prezentă sau viitoare împotriva Societății, a oricărui afiliat al acesteia sau a societăților asociate cu aceasta, decurgând din sau în orice mod în legătură cu

I hereby confirm and acknowledge that I have no present or future right or claim whatsoever against the Company, or any of its affiliates or associated companies, arising from or in any way related to my mandate as member of the board of directors of the

mandatul meu de membru al consiliului de administrație al Societății sau cu orice altă poziție deținută în Societate, pentru evitarea oricărui dubiu inclusiv, dar fără limitare, în legătură cu încetarea acestui mandat.

Orice putere de reprezentare și/sau de semnătură pe care le dețin în numele și pe seama Societății încetează de la data la care prezenta scrisoare de renunțare la mandat produce efecte.

Având în vedere faptul că mi-am îndeplinit atribuțiile decurgând din calitatea mea de membru al consiliului de administrație al Societății și din orice alte poziții deținute în Societate, aş aprecia dacă ați putea solicita ca acționarii Societății, în cadrul Adunării Generale anuale privind aprobarea situațiilor financiare pentru anul 2022, să îmi acorde descărcarea completă de gestiune în legătură cu îndeplinirea sarcinilor mele de membru al consiliului de administrație al Societății până la sfârșitul mandatului meu din cadrul Societății.

Această scrisoare de renunțare la mandat va produce efecte de la data de 10 februarie 2023.

Autorizez Societatea să întreprindă toate acțiunile legale necesare pentru depunerea și înregistrarea acestei demisii la Registrul Comerțului din București sau la orice altă autoritate unde este necesară această înregistrare.

Prezenta scrisoare de renunțare la mandat, din data de 10 februarie 2023, este comunicată Societății și Societatea se poate baza pe această scrisoare

Company or with any other position held in the Company, for the avoidance of any doubt including, but not limited to, in relation to the termination thereof.

Any representation and/or signature authority that I have in the name and on behalf of the Company ceases upon this resignation letter coming into effect.

Considering that I have accomplished my duties arising from the capacity as member of the board of directors of the Company and from any other positions held in the Company, I would appreciate it if you could kindly request that the shareholders of the Company grant full discharge of liability arising from my mandate as member of the board of directors of the Company up to the end of my mandate within the Company, within the annual General Meeting of the Shareholders for the approval of the 2022 financial statements,.

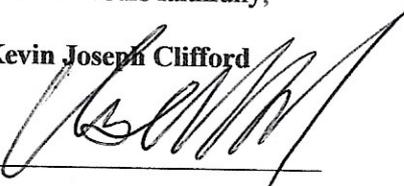
This resignation letter shall be effective as of 10 February 2023.

I hereby authorize the Company to take all legal actions required or necessary to file and register this resignation with the Bucharest Trade Registry or any other authority where such filling is required.

This resignation letter, dated 10 February 2023, is communicated to the Company and can be relied upon by it.

Cu stimă/ Yours faithfully,

Kevin Joseph Clifford



LIST of Company's Affiliates (entities within Zentiva group)

As of December 31, 2023

Company name	
AL	Zentiva Pharma Albania sh.p.k
AT	HERBST Trading GmbH
BA	Zentiva Pharma d.o.o.
BG	Zentiva Pharma Bulgaria EOOD
	Alvogen Pharma Trading Europe EOOD
	Zentiva Pivot EOOD
CY	ALVOGEN CYPRUS LIMITED
	RUTENGO INVESTMENTS LIMITED
CZ	Zentiva Group, a.s.
	Zentiva, k.s.
D	Zentiva Pharma GmbH
	Winthrop Arzneimittel GmbH
DK	Zentiva Denmark ApS
ES	Zentiva Spain, S.L.U.
F	Zentiva France
HR	Zentiva d.o.o.
HU	Rutengo Hungary Kft.
	Zentiva Pharma Kft
CH	Helvepharm AG
IN	Zentiva Private Limited
IT	Zentiva Italia S.r.l.
LU	Al Sirona (Luxembourg) Acquisition S.à r.l.

	Al Excalibur (Luxembourg) S.à r.l.
	Alvogen IPco S.à r.l. (<i>in liquidation</i>)
	Alvogen Balkans Luxembourg S.à r.l.
M	Alvogen Malta Operations ROW Holdings Ltd.
	Alvogen Malta Operations (ROW) Ltd.
MK	Zentiva Pharma Macedonia DOOEL Skopje
NL	Zentiva Netherlands B.V.
PL	Zentiva Polska Sp.z.o.o.
PT	Zentiva Portugal, Lda
RO	LaborMed-Pharma SA
	Labormed Pharma Trading SRL
RS	Zentiva Pharma d.o.o
RU	Zentiva Pharma LLC
	Bittner Pharma LLC
SK	Zentiva, a.s.
	Zentiva International a.s.
SE	Zentiva Sweden AB
UA	Zentiva Ukraine LLC
UK	Zentiva Pharma UK Limited
	Creo Pharma Holdings Limited (<i>in liquidation</i>)
	Creo Pharma Limited (<i>in liquidation</i>)

LIST of legal entities that control the Company

Company name
Zentiva Group, a.s.
Al Sirona (Luxembourg) Acquisition S.à r.l.
Al Sirona(Luxembourg) Subco S.à.r.l.
Al Sirona (Luxembourg) Parent S.à.r.l.
Al Sirona & Cy S.C.A.
Al Sirona Midco & Cy S.C.A.
Al Sirona (Luxembourg) S.à.r.l.
Al Global Investments II & Cy S.C.A.
Al Sirona (Luxembourg) Holdings II S.à r.l.
Al Sirona (Luxembourg) Top Holding II S.à.r.l.
Al Sirona (Cayman) Limited
Advent Funds GPE VIII

The Company has no subsidiaries or entities under its controls.

Zentiva SA

Financial statements

FOR THE YEAR ENDED
31 December 2023

Prepared in accordance with Order of the Minister of Public Finance no. 2844/2016
approving the accounting regulations compliant with the International Financial
Reporting Standards, with subsequent amendments

**Translation of the Company's financial statements and management report
issued in the Romanian language.**

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ZENTIVA SA
STATEMENT OF COMPREHENSIVE INCOME
for the financial year ended on 31 December 2023
(amounts are expressed in RON, unless specified otherwise)

STATEMENT OF COMPREHENSIVE INCOME	Notes	2023	2022
		RON	RON
Revenue from sales of goods	5.1	894,066,595	704,706,902
Revenue from rendering of services	5.1	59,566,489	54,923,968
Revenue	5.1	<u>953,633,084</u>	<u>759,630,870</u>
Other operating income	6.1	395,084	3,366,161
Changes in inventories of finished goods and work in progress		18,373,825	9,170,800
Raw material expenses, merchandise, consumables used and utilities	5.2	(451,621,314)	(370,732,616)
Employee benefits expenses	6.5	(162,197,973)	(135,032,946)
Depreciation, amortization and impairment	9 - 11	(31,701,874)	(30,296,757)
Marketing and advertising expenses	6.6	(9,924,589)	(5,968,891)
Reversal of/ (expenses with) provisions	18,19	1,117,499	(3,205,975)
Other operating expenses	6.2	(133,558,810)	(140,600,303)
Operating profit		<u>184,514,933</u>	<u>86,330,344</u>
Financial Income	6.4	41,829,109	35,258,118
Financial Expenses	6.3	(4,518,761)	(6,603,544)
Profit before income tax		<u>221,825,281</u>	<u>114,984,918</u>
Income Tax Expense	7	(29,209,449)	(15,519,714)
Net profit for the year (A)		<u>192,615,832</u>	<u>99,465,204</u>
Other comprehensive income:			
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>			
Impact from revaluation of land and buildings	9.1	-	10,884,283
Deferred tax impact on pension/revaluation recognized in equity	7.2	174,384	(1,741,485)
Other comprehensive income items	19	(882,309)	(26,037)
Other comprehensive income net of tax (B)		<u>(707,925)</u>	<u>9,116,761</u>
Comprehensive income for the year (A) + (B)		<u>191,907,906</u>	<u>108,581,965</u>
Net earnings per share (RON/share)	8	<u>0.28</u>	<u>0.14</u>

The financial statements from page 3 to page 58 were approved by the Board of Directors and were authorized to be issued in accordance with the resolution of the Directors dated 27 March 2024.

Administrator,
Simona Cocos

Signature
Company stamp

Prepared by,
Daniel Nitulescu
Chief Financial Officer

Signature

ZENTIVA SA
STATEMENT OF FINANCIAL POSITION
for the financial year ended on 31 December 2023
(amounts are expressed in RON, unless specified otherwise)

STATEMENT OF FINANCIAL POSITION	Notes	31 December 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment	9.1	220,505,720	212,594,512
Advances for equipment	9.1	8,652,051	5,907,878
Right-of-use assets	9.2	21,092,139	18,681,887
Goodwill	11	11,649,100	11,649,100
Customer relationships	11	16,925,260	20,374,470
Other intangible assets	10	2,948,351	3,114,287
Total Intangible assets		31,522,711	35,137,857
		281,772,621	272,322,135
Current assets			
Inventories	12	191,883,609	173,060,231
Trade receivables and other receivables	13	410,875,837	151,446,752
Advances and prepayments	13	3,847,896	13,642,385
Cash pooling intercompany receivables	15	583,820,497	583,511,187
Cash and cash equivalents	14	27,302,728	11,190,679
		1,217,730,566	932,851,234
Total assets		1,499,503,187	1,205,173,370
Equity			
Issued share capital	16	69,701,704	69,701,704
Share premium	16	24,964,506	24,964,506
Legal and other reserves	16	155,961,510	146,399,175
Revaluation reserve	16	67,069,892	67,069,892
Retained earnings	16	873,564,853	691,219,282
Total equity		1,191,262,465	999,354,559
Non-current liabilities			
Contract liability	5.1	-	4,282,372
Employee benefit liability	19	7,173,565	5,947,909
Deferred tax liability	7.2	5,556,704	7,138,545
Lease liabilities	9.2	13,894,126	12,999,385
Provisions	18	1,265,568	1,265,568
Total non-current liabilities		27,889,963	31,633,780
Current liabilities			
Contract liability	5.1	4,623,319	4,070,598
Trade payables and other payables	20	210,988,922	115,095,577
Income taxes payable	7.1	7,641,646	3,028,357
Short-term lease liabilities	9.2	7,261,482	5,811,596
Other current liabilities	20	46,251,580	41,593,377
Short-term provisions	18	3,583,810	4,585,527
Total current liabilities		280,350,759	174,185,032
Total liabilities		308,240,722	205,818,811
Total liabilities and equity		1,499,503,187	1,205,173,370

The financial statements from page 3 to page 58 were approved by the Board of Directors and were authorized to be issued in accordance with the resolution of the Administrators dated 27 March 2024.

Administrator,
Simona Cocos

Prepared by,
Daniel Nitulescu
Chief Financial Officer

Signature

Signature

Explanatory notes from 1 to 25 form an integral part of these financial statements.

ZENTIVA SA
STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2023
(amounts are expressed in RON, unless specified otherwise)

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

2023

	Share capital	Share premium	Legal and other reserves	Revaluation reserve	Retained earnings	Total
Opening balance at 1 January 2023	69,701,704	24,964,506	146,399,175	67,069,892	691,219,282	999,354,559
Profit for the year	-	-	-	-	192,615,832	192,615,832
Other comprehensive income:						
Deferred tax impact of other comprehensive income items	-	-	-	-	174,383	174,383
Other comprehensive income	-	-	-	-	(882,308)	(882,308)
Total other comprehensive income	-	-	-	-	(707,925)	(707,925)
Total comprehensive income	-	-	-	-	191,907,906	191,907,906
Reserve for reinvested profit	-	-	9,562,335	-	(9,562,335)	-
Closing balance at 31 December 2023	69,701,704	24,964,506	155,961,510	67,069,892	873,564,853	1,191,262,465

The financial statements from page 3 to page 58 were approved by the Board of Directors and were authorized to be issued in accordance with the resolution of the Directors dated 27 March 2024.

Administrator,
Simona Cocos

Signature
Company stamp

Prepared by
Daniel Nitulescu
Chief Financial Officer

Signature

ZENTIVA SA
STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2022
(amounts are expressed in RON, unless specified otherwise)

STATEMENT OF CHANGES IN SHAREHOLDRES EQUITY

2022

	Share capital	Share premium	Legal and other reserves	Revaluation reserve	Retained earnings	Total
Opening balance at 1 January 2022	69,701,704	24,964,506	121,743,815	57,927,094	616,435,475	890,772,593
Profit for the year	-	-	-	-	99,465,204	99,465,204
Other comprehensive income:						
Increase in reevaluation reserve	-	-	-	10,884,283	-	10,884,283
Deferred tax impact on revaluation	-	-	-	(1,741,485)	-	(1,741,485)
Other comprehensive income	-	-	-	-	(26,037)	(26,037)
Total other comprehensive income	-	-	-	9,142,798	(26,037)	9,116,761
Total comprehensive income	-	-	-	9,142,798	99,439,167	108,581,965
Reserve for reinvested profit	-	-	24,655,360	-	(24,655,360)	-
Closing balance at 31 December 2022	69,701,704	24,964,506	146,399,175	67,069,892	691,219,282	999,354,559

The financial statements from page 3 to page 58 were approved by the Board of Directors and were authorized to be issued in accordance with the resolution of the Directors dated 27 March 2024.

Administrator,
Simona Cocos

Signature
Company stamp

Prepared by
Daniel Nitulescu
Chief Financial Officer

Signature

ZENTIVA SA
STATEMENT OF CASH FLOWS
for the financial year ended 31 December 2023
(amounts are expressed in RON, unless specified otherwise)

STATEMENT OF CASH FLOWS	Note	31 December 2023	31 December 2022
Cash flows from operating activities:			
Profit before tax		221,825,281	114,984,918
Depreciation and amortization	9,10,11	30,772,848	30,893,505
Impairment on property, plant and equipment	9.1	929,026	-
Reevaluation impact on property, plant and equipment		-	(596,748)
Allowance for trade and other receivables	13,15	251,807	(1,823,546)
Inventory allowance movement	12	(4,848,676)	(9,351,919)
Movements in provisions for risks and charges	18	(1,001,717)	790,168
Loss on sale of non-current assets	6.1	24,897	28,423
Write off of old advances paid to suppliers and trade payables, net		-	(212,678)
Interest revenues	6.4	(37,877,564)	(31,614,121)
Interest expenses	6.3	1,380,300	437,136
Operating profit before working capital changes		<u>211,456,202</u>	<u>103,535,137</u>
Change in inventories		(13,974,701)	(39,145,176)
Change in trade, other receivable and advances		(252,630,576)	(63,228,667)
Change in trade and other payable		96,715,915	35,066,115
Interest paid		(1,380,300)	(437,136)
Cash generated from operating activities		<u>40,186,540</u>	<u>35,790,274</u>
Income tax paid	7.1	(26,003,618)	(15,199,349)
Net cash from operating activities		<u>14,182,922</u>	<u>20,590,925</u>
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	9.1,10	(28,319,718)	(27,415,096)
Cash pooling movement		(309,310)	(70,877,522)
Interest received		37,877,564	31,614,121
Net cash from/ (used) in investing activities		<u>9,248,537</u>	<u>(66,678,496)</u>
Cash flows from financing activities			
Dividends paid		-	-
Lease payments	9.2	(7,319,410)	(5,319,378)
Net cash used in financing activities		<u>(7,319,410)</u>	<u>(5,319,378)</u>
Net increase (decrease) in cash and cash equivalents		16,112,049	(51,406,949)
Cash at the beginning of the period 1 January		<u>11,190,679</u>	<u>62,597,628</u>
Cash at the end of the period 31 December		<u>27,302,728</u>	<u>11,190,679</u>

The financial statements from page 3 to page 58 were approved by the Board of Directors and were authorized to be issued in accordance with the resolution of the Directors dated 27 March 2024.

Administrator,
Simona Cocos

Prepared by,
Daniel Nitulescu
Chief Financial Officer

Signature
Company stamp

Signature

1. INFORMATION ABOUT THE COMPANY

These financial statements of Zentiva SA (the "Company") for the year ended on 31 December 2023 are authorized for publication in accordance with the Board of Directors' Decision dated 27 March 2024.

The Company, previously named SICOMED SA 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 nr.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 valuations of land and buildings donated by the State to the Company in accordance with the Government Decision, and liabilities held as of 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 held 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 was 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, as such, 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 Sanofi Romania SRL entity and after that date, ZIRO became an entity with no activity, and was 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 a percentage of 18.4067% at a purchase price of RON 3.5 / share. The public purchase offer was concluded on 5 April 2018. The shares redeemed 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 Administered Pension Fund.

At the end of October 2016, Sanofi Group announced, after an analysis of all the available options, the initiation of its European generic medicine's division carve out.

As of that date, Zentiva SA was included in this separation process that was finalized on September 30, 2018, when Advent International NV purchased the European generic medicine division of Sanofi Group.

Starting with 1 September 2018, Sanofi Romania SRL, who was up until that time the distributor of generic medicine produced by Zentiva SA on the Romanian market, transferred its distribution activity to 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 in Romania of generic medicines both produced in Romania, as well as imported from other entities from the Group. The local market distribution is done by local distributors - for more details please go to the comments included in Note 11 – Goodwill and Customer Relationship.

1. INFORMATION ABOUT THE COMPANY (continued)

The Company is listed on Bucharest Stock Exchange.

The Company has no investments in subsidiaries or associated companies as of 31 December 2023. 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.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Statement of compliance

The Company's financial statements have been prepared in accordance with the provisions of Order No. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market with all subsequent amendments and clarifications. These provisions are in line with the provisions of the International Financial Reporting Standards endorsed by the European Union, except for the provisions of IAS 21 The Effects of Changes in Foreign Exchange Rates regarding the functional currency, of IAS 20 Accounting of Government Grants regarding the recognition of revenue from green certificates, with the exception of IFRS 15 - Revenue from Contracts with Customers regarding the revenue from distribution network connection charges. 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).

2.1 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. To assess the applicability of this assumption, the management analyses the forecasts of future cash inflows.

As of 31 December 2023, current assets of the Company exceed current liabilities by RON 937,379,807 (as of 31 December 2022 current assets exceeded current liabilities by RON 758,666,203). At the same date, the Company recorded a profit for the year of RON 192,615,832 (2022: RON 99,465,204).

The budget prepared by the management of the Company for the year 2024, indicates positive cash flows from the operating activities, an increase in sales and profitability from the direct distribution on the Romanian market of generic medicine produced locally as well as the ones imported from other entities of the Group to which the Company belongs.

The ongoing war in Ukraine and the related sanctions targeted against the Russian Federation have a continuous impact on the European economies and globally. The entity does not have any significant direct exposure to Ukraine, Russia or Belarus or Gaza/Hamas. However, the impact on the general economic situation may require timely revisions of certain assumptions and estimates (cost of energy, cost of raw materials and the overall impact of inflation pressure).

The management considers that the Company will be able to continue its activity in the foreseeable future and therefore the application of the going concern principle in the preparation of the financial statements is reasonable.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.2 Summary of accounting policies

The following are the material accounting policies applied by the Company in preparing its financial statements:

➤ **Foreign currency translations**

The Company's financial statements are presented in RON, which is also the functional currency.

Foreign currency transactions are translated into RON using the exchange rate prevailing at the transaction date. Monetary assets and liabilities expressed in foreign currency at the end of the period are assessed in RON using the exchange rate prevailing at the end of the financial year. The gains and losses realized or unrealized are charged to the profit or loss. The exchange rates as of 31 December 2023 were RON / EUR 4.9746 and RON / USD 4.4958. The exchange rates as of 31 December 2022 were RON / EUR 4.9474 and RON / USD 4.6346.

The exchange rates differences, favorable or unfavorable, between the exchange rate at the recording date of the receivables and payables in foreign currency or the exchange rate at which they were reported in previous financial situations and the exchange rate at the end of the fiscal year, shall be recorded under financial income or expense, where appropriate.

➤ **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 Revenue from Contracts with Customers establishes a five steps model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Revenue from sales of goods

In accordance with IFRS 15, the revenue is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company delivers goods (mainly generic medicines) under contractual conditions based on internationally accepted delivery conditions (INCOTERMS). The point in time when the customer obtains control over the goods is considered to be substantially the same for most of the Company's contracts under IFRS 15.

The Company concluded that revenue should be recognized at a point in time when asset control is transferred to the customer, generally on delivery of the goods.

Variable consideration

Some client contracts involve rebates for volume, financial discounts, price concessions, or the right of return for quality claims. Currently, the revenue from these sales is recognized based on the price specified in the contract, net of returns and allowances, trade discounts, and volume rebates booked on an accrual basis when a reasonable estimate of the revenue adjustments could be made.

In accordance with IFRS 15, it is necessary to estimate the variable consideration at the inception of the contract. The revenue is recognized to the extent that it is highly probable that a significant reversal of the amount of recognized cumulative revenue will not occur. Consequently, for those contracts for which the Company is not able to make a reasonable estimate of the discounts, revenue will be recognized earlier than when the return period lapses or when a reasonable estimate can be made. In order to estimate the variable consideration to which it would be entitled, the Company applied the expected value method. At the same time, cases of quality claims (rights of return) are isolated and insignificant, based on the information from past periods, so that the Company cannot make a reasonable estimate of such revenue reversals at the end of the year.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

Principal versus agent considerations

In accordance with IFRS 15, the assessment is based on whether the Company controls specific goods before transferring them to the end customer, rather than whether they have exposure to significant risks and rewards associated with the sale of goods. The Company have concluded that they are the principal in most of the contractual sales arrangements because they are the primary obligor in all revenue arrangements, have pricing latitude and are exposed to inventory risks. In the specific cases of the contractual arrangements where the Company does not control the goods before being transferred to the end customer, it acts as an agent.

Recognition of revenue from distinct performance obligations

The Company have analyzed its contracts with the clients in order to determine all its performance obligations and they have not identified any new performance obligation that should be accounted for separately in accordance with IFRS 15.

The Company provides various services as secondary activity. The revenue is evaluated at the expected value of the consideration received or to be received. In accordance with IFRS 15, the total consideration in the services contracts is allocated to all services based on their standalone selling prices. The individual selling prices are set based on the list prices at which the Company sell the services in separate transactions. Based on the evaluation of the Company the value allocated based on to the relative individual selling prices of the services and the standalone selling prices of the services are broadly similar.

Revenue from Rendering of services

The Company is engaged in providing certain support function services to its affiliated companies (i.e. its customers). Revenue from these contracts is recognized when control of services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company recognises revenue from these services over time, as it progresses towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company. If the contracts include fees for various activities performed, revenue is recognised in the amount to which the Company has a right to invoice. Revenues related to services rendered are recognised in the period in which the services were rendered based on statements of work performed, regardless of when paid or received, in accordance with the accrual basis.

➤ Other operating income

Other operating income includes income/gains from all other operating activities which are not related to the ordinary activities of the Company, such as gains/losses from sales of assets, etc.

➤ Interest income

The income from interest is accrued on a time basis, by reference to the principal and at the applicable effective interest rate, meaning the rate that exactly discounts future cash receipts estimated over the expected life of the financial assets to the net carrying amount of the financial assets at the date of its initial recognition. The income from interest is included in the profit or loss under financial income.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

➤ Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in Romania.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, unless:

- The deferred tax liability arises from the initial recognition of the goodwill or an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, does not affect either the accounting profit or the taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses, can be utilized, except:

- When the deferred tax asset related to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, does not affect either the accounting profit or the taxable profit or loss.

Deferred tax assets and liabilities are assessed at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax on elements recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction in other comprehensive income or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities in the statement of financial position, since a legally enforceable right exists for the Company to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxation authority.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

Value added tax

Income, expenses and assets are recognized net of VAT, with the exception of:

- Where the sales tax applicable to a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquiring the asset or as part of the expenditure item, as the case may be.
- Where receivables and payables are disclosed at a value including the sales tax.

The net amount of the sales tax recoverable from or payable to the taxation authority is included as part of the receivables and payables in the statement of financial position.

Property, plant and equipment

Initial recognition

Tangible assets are valued at cost, net of accumulated depreciation and / or accumulated impairment losses, if any.

This cost includes the cost of replacing the part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment have to be replaced at certain intervals, the Company recognizes those parts as individual assets with a specific useful life and depreciates them accordingly. Also, when carrying out a general inspection, its cost is recognized in the carrying amount of the tangible assets as a replacement if the recognition criteria are met. All other repair and maintenance costs are recognized in the profit or loss as incurred. The present value of expected costs for decommissioning an asset after its use is included in the cost of that asset if the criteria for recognizing a provision are met.

The cost of an item of property, plant and equipment consists of:

- its purchase price, including import duties and non-refundable purchase taxes, after deduction of trade discounts and rebates.
- any costs that can be attributed directly to bringing the asset to the location and condition necessary to enable it to function as intended by the management.
- the initial estimate of the costs of dismantling and moving the item and restoring the site where it is located, the obligation of the entity when acquiring the item or as a consequence of using the item for a specified period for purposes other than producing inventories during that period.

Subsequent measurement

Land and buildings are valued at fair value less accumulated depreciation on buildings and impairment losses recognized as at the valuation date. Valuations are performed with sufficient frequency to ensure that the fair value of the revalued assets does not differ significantly from their net book value.

A revaluation surplus is recorded in other comprehensive income and credited to the assets revaluation reserve, in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in the profit or loss, the increase is recognized in the profit or loss. A revaluation deficit is recognized in the profit or loss if it does not offset an existing surplus on the same asset recognized in the assets revaluation reserve. Additionally, accumulated depreciation as at the revaluation date is eliminated from the carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation reserve that relates to an asset being sold or discarded is transferred to retained earnings in that year.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

Land and buildings owned by the Company were revalued on 31 December 2022 by an independent valuation specialist.

The other categories of property, plant and equipment are valued at historical cost, less any depreciation and any impairment adjustments.

Depreciation method

Depreciation is calculated using:

- the straight-line method for buildings and equipment not related to production capacity;
- the reducing balance for equipment related to the production capacity.

Useful lives

The economic useful life is the period of time over which an asset is expected to be used by a company. The economic useful life of property, plant and equipment was determined by specialized employees.

The land is not depreciated.

The average useful life's by categories of property, plant and equipment are as follows:

	<u>Years</u>
Buildings	30 - 50
Production equipment	5 - 20
Vehicles	5

The Company estimates the useful life of the property, plant and equipment elements in line with the consumption/ usage rate for those assets. Residual values, useful lives and methods of depreciation methods of property, plant and equipment are reviewed at the end of each financial year and adjusted accordingly. In particular, the Company considers the impact of health, safety and environmental legislation in its assessment of expected useful lives and estimated residual values. Furthermore, the Company considers climate-related matters, including physical and transition risks. Specifically, the Company determines whether climate-related legislation and regulations might impact either the useful life of residual values, e.g., by banning or restricting the use of the Company's fossil fuel-driven machinery and equipment or imposing additional energy efficiency requirements on the Company's buildings and office properties.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefit is expected from its use or at disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognized.

➤ **Leases**

The Company assesses at the commencement of the contract whether the contract is or contains a lease, i.e., whether the contract conveys the right to control the use of an identified asset for a certain period of time in exchange for consideration.

The Company as a lessee

The Company applies a single recognition and assessment approach for all leases, except for short-term leases and leases of low-value underlying assets. The Company recognizes lease liabilities for performance of lease payments and the right-of-use assets which represent its right to use the underlying assets.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

Recognition of the right-of-use assets

The Company recognizes the right-of-use assets at the commencement date of the lease (i.e., the date on which the underlying asset is available for use). The right-of-use assets are measured at cost, less any accumulated amortization and cumulated impairment losses and adjusted for any revaluation of lease liabilities. The cost of the right-of-use assets includes the amount of the initial valuation of lease liabilities, the initial direct costs incurred, and the lease payments made at or before the commencement date, less any lease incentives received.

The right-of-use assets are depreciated over the shorter of the lease term or the estimated useful life of the assets, as follows:

	<u>Years</u>
Buildings	3
Machinery, tools and equipment	3 - 7

If the ownership right over the leased asset is transferred to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, the amortization is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment, according to the policy for impairment of non-financial assets described below.

Lease liabilities

On the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the term of the lease. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments are based on an index or rate and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option, if the Company is reasonably certain to exercise that option and payment of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease. Variable lease payments that are not based on an index or rate are recognized as expenses in the period in which the event or condition triggering the payment takes place.

When calculating the present value of the lease payments, the Company uses the incremental borrowing rate at the commencement date of the lease agreement, if the implicit interest rate on the lease agreement cannot be easily determined. After the lease commencement date, the value of lease liabilities is increased to reflect the interest and decreased with the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term, a change in lease payments (for example, changes in future payments resulting from a change in the index or rate used to determine those lease payments) or a change in the assessment of a purchase option for the underlying asset.

Short-term lease and leases of low-value assets

As at 31 December 2023 and 2022, the Company does not have any short-term leases and leases of low-value underlying assets.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

➤ Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the profit or loss under the line "Depreciation, amortization and impairment".

	<u>Years</u>
Software	3
Research and development costs	3
Customer relationship	10
Licenses	2 - 10

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as intangible assets when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete the intangible asset and its ability to use or sell the asset;
- How the intangible asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during the intangible development.

The amortization of the intangible begins when the development is complete and the asset is available for use.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

Goodwill and customer relationships

The goodwill generated by a business combination is carried at cost as it was established at the acquisition date of the business less accumulated impairment losses, if any. For the purpose of impairment testing, the goodwill is allocated to each cash generating unit (or group of cash generating units) that is expecting to benefit from the synergies of the combination. A cash generating unit that has been allocated goodwill is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, impairment is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment for the goodwill is recognized directly in profit or loss in the statement of comprehensive income. The recognized impairment for goodwill is not reversed in subsequent periods. At the date of the disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The intangibles acquired in a business combination and recognized separately from the goodwill are initially recognized at their fair value at the acquisition date (which is considered their cost).

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 amortization period for customer relationships was determined to be 10 years.

Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gains or losses arising from the derecognition of an intangible asset, measured as the difference between the net proceeds from sales and the net carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

➤ Financial instruments – initial recognition and subsequent measurement

1) Financial assets

The financial assets of the Company are classified as financial assets at amortized cost and are represented by cash pooling, trade receivables and other receivables, cash and cash equivalents.

Except for trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus transaction costs. The trade receivables that do not contain a significant financing component for which the Company applied the practical cost are measured at their transaction price determined according to IFRS 15.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

For more information on receivables, see Note 13 - Trade receivables and other receivables. Receivables due in a period of less than 12 months are not discounted.

Derecognition

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive the cash flows arising from the asset have expired.

2) Impairment of financial assets

The Company recognizes a provision for expected credit losses (ECLs) for all its financial assets. ECLs are based on the difference between the contractual cash flows due under the contract and all cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate of the asset.

The Company applies a simplified approach in calculating ECLs. Respectively, the Company does not track changes in credit risk, but instead recognizes a provision based on data on lifetime expected losses at each reporting date. The company analyzes the receivables on an individual basis and takes into account the effect of the financial guarantees received from the insurers in the calculation of ECLs.

3) Financial liabilities

Company's financial liabilities consist of trade and other payables. They are recognised initially at fair value, net of directly attributable transaction costs, if any. They are derecognized when the liability is discharged, cancelled or expires.

4) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis or realize the assets and settle the liabilities simultaneously.

➤ Inventories

The main categories of inventories are raw materials, work in progress, semi-finished products, finished products, commodities, spare parts, consumables and packaging materials.

The cost of inventories includes all purchase costs, production costs (including all direct and indirect costs attributable to the operational activity of production) and other costs incurred in bringing the inventories to their present condition and location.

The value of finished goods and work in progress includes costs of raw materials, direct labor, direct production costs and production overheads, including depreciation. Financing costs (interest expense) are not included in the value of stocks.

The cost of inventory is determined based on the weighted average method.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated sale price under normal operating conditions, less the estimated completion costs and sale costs. The Company periodically analyzes inventories to determine if they are damaged, obsolete, slow moving, or if the net realizable value has dropped, making the necessary adjustments.

➤ **Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists or when annual impairment testing for an asset is required, the Company estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of the fair value of an asset (or a cash-generating unit) less the costs to sell and its value in use. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those of other assets or groups of assets. When the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing the value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and asset-specific risks. In determining the fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment loss of continuing operations is recognized in the profit or loss in the expense category consistent with the classification of the impaired asset, except for a property that was previously revalued, and the revaluation was accounted for in other comprehensive income. In this case, impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

Goodwill is subject to annual impairment testing. For the purpose of impairment testing, goodwill is allocated to the cash generating unit (CGU) representing Company's single reportable segment (the production of medicines). The recoverable amount of the CGU is determined on the basis of assessment of the present value of the future cash flows expected to be derived from the CGU and is assessed internally by the management. The assessment takes into account cash flow projections and the business plan and is based on past experience, as well as on anticipated future market trends. A long-term growth rate is calculated and applied to project future cash flows beyond the period covered by the business plan.

In each reporting period, an assessment is made to determine whether there are any indicators that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Company estimates the recoverable amount of the asset or of the cash-generating unit. An impairment loss previously recognized is reversed only if there has been a change in the assumptions used to determine the recoverable amount of the asset. The reversal is limited so that the asset's carrying amount does not exceed its recoverable amount and does not exceed the carrying amount of the asset if it had not been previously impaired. Such a reversal is recognized in the profit or loss unless the asset has been revalued, in which case the reversal is treated as a revaluation increase.

➤ **Cash and short-term deposits**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an initial maturity of three months or less that are held to meet the cash commitments in the short term.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

Cash deposits with an initial maturity of three months or less that are not held to meet the Company's short-term cash commitments are not cash equivalents, but receivables.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

➤ **Provisions**

General

Provisions are recognized when the Company has a present obligation (legal or constructive) arising from a prior event, it is probable that an outflow of resources embodying economic benefits is required to settle the obligation and the amount of the liability can be reliably estimated. If the Company expects some or all of a provision to be reimbursed, for example, under an insurance agreement, the reimbursement is recognized as a separate asset, but only if the reimbursement is virtually certain. The expense related to any provision is presented in the profit or loss, net of any reimbursement.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best current estimate of management in this respect. If an outflow of resources is no longer probable to be needed to settle the obligation, the provision is reversed and it is recognized as revenue.

If the effect of time value of money is material, provisions are discounted using a pre-tax rate that reflects, if applicable, the specific to the liability. When the discount is applied, the increase in the provision as a result of time passage is recognized as financing cost.

Environment provision

Environmental provision is recognized when water and soil contamination occur and there is a legal obligation to decontaminate or it is recognized when there is a constructive obligation, if the Company's policy is to carry out decontamination works even if there is no legal obligation (past event is the contamination, and public expectations are created by the Company's policy).

The Company plans to make ecological remediations that will have the effect of monitoring soil and underground water.

The impact of climate-related matters, such as changes in environmental regulations and other relevant legislation, is considered by the Company in estimating the environmental provision.

Litigation provisions

Litigation provisions are recognized when management estimates as probable cash outflows as a result of unfavorable disputes.

➤ **Pensions and other post-employment benefits**

As part of its current activity, the Company makes payments to the Romanian State budget on behalf of its employees for post-employment benefits (retirement). All employees of the Company are included in the pension scheme of the Romanian State. The Company does not operate any other pension scheme except for the benefits on retirement presented below in this note and, consequently, has no obligation regarding pensions. In addition, the Company is not required to provide additional benefits to existing or current employees other than those described below:

According to the Collective Labor Agreement, the company grants employees a variable number of salaries according to their length of service within the company. This is a defined benefit post-employment scheme.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

At the date of retirement, retirees receive a bonus depending on their length of service within the Company as follows:

- Up to 10 years in the Company, ½ average gross salary at company level;
- 10 - 20 years within the Company, 1 average gross salary at company level;
- 20 - 30 years within the Company, 2 average gross salary at company level;
- Over 30 years within the Company, 3 average gross salaries at company level.

In addition, when employees turn 50, in case the employees have completed 5 years of continuous service in the company, they receive a bonus based on their length of service within the Company as follows (these being treated as other long-term employee benefits):

- 5 - 15 years in the Company, ½ average gross employee salary;
- Over 15 years in the Company, one average gross employee salary.

At the same time, depending on the length of service at the Company, the employees receive some benefits in fixed amounts, which start with 400 RON upon completion of 2 years in the Company and reach 3,800 RON upon completion of 36 years in the Company.

Provisions for post - employment benefits and other long-term employee benefits are estimated based on the Company's Collective Labor Agreement by external actuaries.

The Company uses the projected credit factor method actuarial assessment, designed to assess the post-employment benefits and the cost of the related current services. This implies the use of demographic assumptions about future employees, current employees, and former employees who are eligible for these benefits (mortality rate, employee turnover rate, etc.), as well as financial assumptions (inflation rate, salary growth rate). If adjustments to key assumptions are required, the amounts of post-employment benefits may be materially affected.

Actuarial gains and losses related to the post-employment benefit plan are recognized in full in the period in which they arise in other comprehensive income. These actuarial gains and losses are recognized in retained earnings and are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized as an expense on a straight-line basis over the remaining average period until the benefits vest. Past service costs are immediately recognized if the benefits have already vested, following the introduction or adjustment of the retirement plan. Interest expense is included in the profit or loss, in the Financial Expenses category.

The Company policy for other long-term employee benefits is to recognize the actuarial gains and losses in the period they incur in full, in the profit or loss.

➤ **Related parties**

Parties are considered related when one party, either through ownership, contractual rights, family relationships, or otherwise, has the ability to significantly control / influence the other party. Related parties also include members of the management, members of the Board of Directors and members of their families, parties with joint control over other companies, post-employment benefit plans for Company employees.

➤ **Retained earnings**

The accounting profit remaining after the allocation of the 5% share to the legal reserve, up to the limit of 20% of the share capital, is recorded in the opening retained earnings of the following reporting period, when the profit appropriation takes place.

The appropriation of the profit is therefore made in the following financial year, after approval of the appropriation by the Shareholders General Meeting, e.g.: the dividends approved and setting-up of other reserves according to legal provisions.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

➤ Climate-related matters

In line with the EU's strategy to promote sustainable finance, which introduced transparency requirements on how financial market participants integrate ESG factors into their investment decision-making processes, the management recognizes the importance of Environmental, Social, and Governance factors in creating sustainable value for the Company's stakeholders. The Company is aware of its impact towards the society and towards the environment and clear about our responsibility as a corporate citizen. This is why it has committed itself to a comprehensive climate strategy to limiting the temperature increase by mid-century to no more than 1.5 degrees Celsius as defined in the Paris agreement.

The actions are framed around the 3 pillars – People, Partners and Planet. The Company has committed to be Carbon neutral in Scope 1 and 2 by 2030 and to work on the optimization of consumption of energy and water and invests into Circular Economy.

The Company considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the Company due to both physical and transition risks. The Company is in process of implementing reporting process to monitor the planet-related initiatives and their impact in the financial statements in detail. Sustainability related costs and expenditures were reported as incurred in 2023. Approved projects and already known relevant assumptions and estimates were incorporated into cash flow projections.

Even though the Company believes its business model and products will still be viable after the transition to a low-carbon economy, climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Company is closely monitoring relevant changes and developments, such as new climate-related legislation. In particular, the Company considers the impact of health, safety and environmental or other related legislation in its assessment of expected useful lives and estimated residual values of fixed assets, in estimating the environmental provisions or cash flow projections used to evaluate impairments.

The people-related initiatives are integral to the Company's operations and require no material one-off compliance or inclusivity-related investments and are not expected to have a material impact on the Group's consolidated financial statements.

The potential impacts of transition risk related to the Partners and Planet pillars have been analysed in the context of the 2023 Company's financial statements and impairment calculations are based on the best estimate assumptions available as of the date of preparation of financial statements. Based on information available as at 31 December 2023 no material impact has been identified either on the useful life or on the value of the fixed assets, on environmental provisions or on the cash flows generated by existing activities. The scope of Company's commitments to carbon neutrality was considered when carrying out the sensitivity tests as part of the annual impairment testing at the cash-generating unit level. The goodwill impairment test conclusions as of December 31, 2023, were not sensitive to assumption ranges that are considered reasonably possible.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements of the Company requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the end of the reporting period. Nevertheless, uncertainty regarding these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or the liability affected in the future periods.

Judgements

In the course of the application of the Company's accounting policies, the management made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

- The Company's management has carried out an analysis on the presentation of the claw-back tax and decided that it would be more suitable to classify it as a revenue reduction; the alternative would have been for this tax to be considered as an operational expense. Management has considered that this is more similar to a rebate, or a contingent adjustment on the sales made.
- The Company has assessed the purpose of the cash pooling deposits held at AI Sirona (Luxembourg) Acquisition SARL and has concluded that they are held to generate an investment return. In accordance with the provisions of the cash pooling agreement at any time the Company may, by thirty days prior notice to the treasury group entity, request payment of the credit balance maintained and therefore the Company's management have assessed that the presentation as short term is appropriate.

Estimates and assumptions

The main assumptions regarding the future and other important sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities in the next financial year, are presented below:

Duties, taxes and tax provisions

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. All amounts due to State authorities have been paid or accrued at the balance sheet date. The Romanian fiscal system is undergoing a consolidation process and is being aligned with European legislation. Different interpretations may exist at the level of the fiscal authorities in relation to the fiscal legislation, which may result in additional taxes and penalties payable.

Where the State authorities have findings from reviews relating to breaches of Romania's fiscal laws, and related regulations these may result in: confiscation of the concerned amounts; additional tax liabilities being payable; fines and penalties (that are applied on the total outstanding amount). As a result the fiscal penalties resulting from breaches of the legal provisions may result in a significant amount payable to the State. At the end of each financial year, the Company makes an estimate of the potential fiscal risks to which it may be subject and determines the potential risk level, using their best estimates possible, and, as a result, recognizes a specific provision in the financial statements if appropriate. Further details on taxes and tax provisions are disclosed in Notes 18 and 22.

Net realizable value of the inventories

The finished goods, merchandise and work in progress are recorded at the lower of their costs and their net realizable value. Management analyzes the age of the stocks, the expiration date of the products, the quality of the products and any potential nonconformity issues, products that cannot be sold afterwards or can be rejected based on quality issues and takes into consideration their implications for the purposes of establishing the net realizable value of old stocks. The net realizable value is the sale price under in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale, including marketing and distribution. For the products with an expiration date below 6 months, blocked or with quality issues, a provision is set for their entire value, for the products with expiring date between 6 - 12 months a provision of 75% of their value is set, for the products with expiring date between 12 - 18 months a provision of 25% of their value is set.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Management has analyzed monthly the net realizable value of the finished goods and work in progress, considering the market selling prices, as well as the regulations specific to the industry in which it operates. For raw materials, a specific analysis is made taking into consideration the age, expiration date, any potential quality problems of the recorded items. For the products with an expiration date below a year, or with quality issues, a provision is set for their entire value. All the assumptions are reviewed on an annual basis. Further details are included in Note 12.

Provisions for the environment and litigation

The Company recognizes provisions for the environment in relation to ecological rehabilitation, soil and underground water monitoring. In determining the carrying value of the provision, assumptions and estimates are made in relation to effective costs of works to be performed and the expected timing of these costs. Further details are included in Note 18.

The Company recognizes provisions for litigation related to the risk identified regarding certain trials going on in court, with uncertain results. Further details are included in Note 18.

Sales deductions for estimated sales returns, rebates and discounts

The sales returns, discounts, incentives and rebates related to sales are recognized as reductions of revenue in the same period when the related sales were recognized. These are recognized according to commercial offers containing monthly, quarterly and annual gross and net value targets (net targets are calculated after deducting from gross sales inclusively the discounts and claw back tax as communicated by State authorities 45 days after the end of the reference period) and which are estimated at the level of product, portfolio, sales channel (retail independent pharmacies, retail chain of pharmacies, hospitals) and according to concerned sales transactions. The estimated discounts accruals are subject to a continuous review and adjustment process based on the most recent available information and negotiations.

4. STANDARDS, AMENDMENTS AND NEW INTERPRETATIONS OF STANDARDS

4.1 New modifications brought in the accounting policies starting with 1 January 2023

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2023:

- **IFRS 17: Insurance Contracts**

The company does not issue contracts in scope of IFRS 17; therefore, its application does not have an impact on the company's financial performance, financial position and cash flows.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**

The Amendments are effective for annual periods beginning on or after January 1, 2023. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

Management has assessed its accounting policies disclosures and updated them to address these amendments in the current year financial statements.

4. STANDARDS, AMENDMENTS AND NEW INTERPRETATIONS OF STANDARDS (continued)

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**

Management has assessed that the application of these changes has no impact on the Company's financial statements or performance.

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**

Management has assessed that the application of these changes has no impact on the Company's financial statements or performance.

- **IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (Amendments)**

The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later. The Organisation for Economic Co-operation and Development's (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes. The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023.

The Company has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, as per the amendments to IAS 12.

Pillar Two legislation has been enacted close to the reporting date. Therefore, the Company is still in the process of assessing the potential exposure to Pillar Two income taxes as at 31 December 2023. The potential exposure, if any, to Pillar Two income taxes is currently not known or reasonably estimable. The Company expects to be in a position to estimate the potential exposure during the year 2024.

4.2 New standards, modifications and interpretations issued, but not yet effective for the financial exercise starting 1st of January 2023 and not early adopted

The standards and interpretations that are issued, but are not effective, and have been endorsed by the European Union up to the date of issuance of the Company's financial statements, are described below. The company intends to adopt these standards, as appropriate, when they enter into force.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8.

4. STANDARDS, AMENDMENTS AND NEW INTERPRETATIONS OF STANDARDS (continued)

Management has assessed that the application of these changes is not expected to have an impact on the Company's financial position or performance.

- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Management has assessed that the application of these changes is not expected to have an impact on the Company's financial position or performance.

4.3 The standards/amendments that are not yet effective and they have not yet been endorsed by the European Union

- **IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements (Amendments)**

Management has assessed that the application of these changes is not expected to have an impact on the Company's financial position or performance.

- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)**

Management has assessed that the application of these changes is not expected to have an impact on the Company's financial position or performance.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

Management has assessed that the application of these changes is not expected to have an impact on the Company's financial position or performance.

5. SALES OF GOODS AND RENDERING OF SERVICES AND RAW MATERIAL AND CONSUMABLES EXPENSES

5.1 Revenues

For management purposes, the Company is organized in business units based on its products and services. The Company has a single reportable segment, namely the production of medicines.

The Company's management monitors the operating results of the business for the purpose of making decisions regarding the allocation of resources and the assessment of performance. Performance is assessed based on the operating profit or loss, the profit before tax 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.

	1 January - 31 December 2023	1 January - 31 December 2022
Sales – domestic*	536,495,256	447,289,671
Sales – external*	417,137,828	312,341,199
Total revenue	953,633,084	759,630,870
Sales of goods, including:	894,066,595	704,706,902
Sales of finished goods	741,933,823	638,559,594
Sales of merchandise	205,240,164	112,140,202
Residual products	85,163	2,506,862
Claw back tax	(53,192,555)	(48,499,755)
Revenue from rendering of services	59,566,489	54,923,968
Total revenue	953,633,084	759,630,870

*Sales of the company are within European Union, external sales being represented mainly by sales to Czech Republic.

Clawback tax

Starting the last quarter of the financial year ended 31 December 2009, in the pharmaceutical industry, for the companies holding Marketing Authorizations (MA) for certain medicines, a new tax was introduced and referred to as "claw-back tax". For the purpose of funding the public health expenses, MA holders included in the national health programs have the obligation to pay the claw-back tax quarterly for the concerned sales of medicines related to the concerned quarter based on the notifications received by the Company from the National Health Insurance House Fund (CNAS).

The contribution (the claw-back tax) is paid by the MA holders or by their legal representatives, if these medicines are:

- Prescribed within the healthcare system in Romania.
- Used in the ambulatory treatment (with or without a patient's contribution) based on a medical prescription and are available in pharmacies, hospitals or used as part of the medical treatment in dialysis clinics.

Starting 2020, following several legal amendments brought by Law 53/2020 approving Ordinance no. 85/2019, differentiated claw-back contribution by types of medicines was introduced.

5. SALES OF GOODS AND RENDERING OF SERVICES AND RAW MATERIAL AND CONSUMABLES EXPENSES (continued)

Specifically, for type I medicines (innovative medicines), the quarterly contribution is calculated by applying 25% on the value related to their centralized consumption (as communicated by the National Health Insurance Fund, after VAT deduction), while for type II (medicines produced in Romania, both innovative and generic) and type III medicines (generic medicines / any other medicines not classified as type I or II), the contribution is calculated by applying 15% and 20%, respectively.

In October 2023, Government Ordinance no. 88/2023 was published approving the amendment of art. 3[^]8 of Government Ordinance no. 77/2011, so that starting from Q3 2023, the quarterly clawback contribution is calculated and due differentiated depending on the classification of medicines into «type I medicines» and «type II medicines».

The list containing the classification of type I and type II medicines is approved quarterly by Minister of Health order, up to and including the 15th of the second month following the end of the quarter for which the contribution is due. The classification of medicines in the categories mentioned above is carried out by the National Agency of Medicines and Medical Devices in Romania.

Most of the medicines Zentiva have in its portfolio are classified under type II medicines, so the related clawback contribution is calculated by applying 15%.

The category “**Rendering of services**” includes the revenues from the rendering of quality review services in relation to the products from outside the European Union that are to be sold on EU markets by partners within the Company's Group, as well as the revenues from certain production services provided to third parties.

This category includes also revenues from support services provided by Zentiva employees to the Group companies, mainly to: Labormed Pharma Trading SRL, Zentiva Group AS, and Labormed Pharma SA, which are generally services related to the commercial activity of the Group, advertising of generic products and support services for the Headquarter.

Contract liabilities in amount of RON 4,623,319 (2022: RON 8,352,970) represent non-cash consideration in the form of a manufacturing equipment received from a client (“Biotehnos SA”). The contract liability was measured at the fair value of the equipment received. During 2023, the Company recognized revenue in amount of RON 3,729,652 as products were delivered to the client, while the remaining contract liability amount is expected to be recognized as revenue over next year.

5. SALES OF GOODS AND RENDERING OF SERVICES AND RAW MATERIAL AND CONSUMABLES EXPENSES (continued)

5.2. Raw material expenses, merchandise, consumables used and utilities

	Notes	1 January - 31 December 2023	1 January - 31 December 2022
Raw materials	a	210,480,053	187,153,558
Merchandise		114,212,299	78,835,616
Packaging materials	b	76,699,977	56,476,312
Auxiliary materials	c	20,161,555	15,340,124
Utilities	d	21,693,081	24,655,006
Other material expenses	e	8,374,349	8,272,000
Total		<u>451,621,314</u>	<u>370,732,616</u>

The amounts mentioned in the above table on the reference lines a, b, c represent mainly expenses with raw materials and direct materials, packaging and auxiliary materials, used in the production activity.

The amounts mentioned on reference line d – utilities - refer mainly to the expenses with energy, gas and water.

e – this category includes mainly the expenses with materials not on stock used by the department in charge with the certification of the products originating from 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.

6. OTHER INCOME / OTHER EXPENSES AND ADJUSTMENTS

6.1 Other operating income

Other operating income	1 January – 31 December 2023	1 January – 31 December 2022
Gain/ loss from disposal of non-current assets	24,897	28,423
Other operating income	370,186	3,337,738
Total	<u>395,084</u>	<u>3,366,161</u>

6.2 Other operating expenses

Other operating expenses	1 January – 31 December 2023	1 January – 31 December 2022
Support services received from Zentiva Group	48,249,810	61,158,451
Repairs	7,985,315	8,586,843
Royalties – Zentiva trademark	6,678,484	5,551,218
Travel expenses	3,742,182	2,033,818
Write-off of inventories	24,398,026	15,839,464
Taxes, registration fees	3,057,633	4,020,059
Professional fees	1,786,067	1,485,909
Other expenses	42,390,064	53,100,005
Net allowance for inventories	(4,848,676)	(9,351,919)
Net allowance for trade receivables and other receivables	119,904	(1,823,546)
Total	<u>133,558,810</u>	<u>140,600,303</u>

6. OTHER INCOME / OTHER EXPENSES AND ADJUSTMENTS (continued)

The expenses with support services from the Group include a large variety of services (see below) and have decreased in 2023 compared to the previous year:

- Management and development of the products portfolio (monitoring, assistance regarding transfers, projects for Company production process optimization), for the procurement process (suppliers monitoring, negotiating the main contracts for raw material), legal support (international review and support / complex situations related to the business environment in Romania) and financial services (sales monitoring, support in production cost planning and optimization, 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.

Repairs services include: repair services related to the production equipment and repairs related to the cars fleet.

Other Expenses include:

Other expenses	1 January – 31 December 2023	1 January – 31 December 2022
Freight costs on sales	8,047,931	6,623,228
External salesforce	5,515,707	5,114,707
Distribution and external storage costs	1,753,886	2,361,793
Telecommunication expenses	551,269	483,416
Cleaning expenses	2,540,376	1,991,874
IT projects consultant fees	2,009,182	3,964,108
Intercompany technical support expenses	1,579,697	1,425,913
Events – travel and accommodation	6,685,600	3,573,837
Speaker fees	2,548,263	2,074,888
Site facility management & services	1,280,896	1,185,888
Fines and penalties	2,106,476	717,352
Reversals	(227,423)	(212,678)
Other expenses	7,765,581	9,729,336
Bank commissions – factoring*	232,623	14,066,344
Total Other Expenses	42,390,064	53,100,005

* Factoring agreement with Factofrance SA was closed in March 2023.

6.3 Financial expenses

Financial expenses	1 January - 31 December 2023	1 January - 31 December 2022
Foreign exchange differences expense	3,138,461	6,166,409
Interest expenses	1,380,300	437,136
Total	4,518,761	6,603,544

6. OTHER INCOME / OTHER EXPENSES AND ADJUSTMENTS (continued)

6.4 Finance Income

Financial Income	1 January - 31 December 2023	1 January - 31 December 2022
Foreign exchange differences gain	3,925,933	3,643,997
Interest income	37,903,176	31,614,121
Total	<u>41,829,109</u>	<u>35,258,118</u>

Interest income is the interest earned on the cash pooling account - for more details see Note 15.

6.5 Employee benefits expenses

Employee benefits expenses	1 January - 31 December 2023	1 January - 31 December 2022
Wages and salaries	146,846,638	123,672,296
Social security costs	7,772,834	5,831,991
Post-employment benefits and other long-term benefits - net impact	165,130	174,393
Other short-term benefits (*)	7,413,371	5,354,266
Total	<u>162,197,973</u>	<u>135,032,946</u>

() this expense is the amount of the meal vouchers granted.*

6.6 Marketing and advertising expense

The Company recognizes the expenses with TV advertising campaigns and other media advertising as marketing and advertising expenses.

During the current year, the main expense types recorded under this line represent only expenses for promotional activities for the Company products in pharmacy chains and other expenses for this activity.

7. CURRENT TAX AND DEFERRED TAX

Income tax expense	1 January - 31 December 2023	1 January - 31 December 2022
Current income tax	30,616,907	17,288,731
Deferred tax (7.2) expense/ (income)	<u>(1,407,458)</u>	<u>(1,769,017)</u>
Total	<u>29,209,449</u>	<u>15,519,714</u>

The main components of corporate tax expense and the reconciliation between tax expense, accounting profit and tax profit for the year ended 31 December 2023 and 2022 are:

Tax reconciliation	1 January - 31 December 2023	1 January - 31 December 2022
Profit before income taxes	<u>221,825,281</u>	<u>114,984,918</u>
Income tax calculated at the tax rate applicable in Romania of 16%	35,492,045	18,397,587
Non-taxable income	(4,984,990)	(818,083)
Non-deductible expenses for tax calculation	5,254,561	1,510,601
Fiscal credit	<u>(6,552,167)</u>	<u>(3,570,390)</u>
Income tax expenses reported in profit or loss	<u>29,209,449</u>	<u>15,519,714</u>

The fiscal credit includes amounts from sponsorships, reinvested profit, as well as capital adjustment incentive calculated according to Government Ordinance no. 153/2020.

7.1 Income tax - current

Movement in the current income tax during the year	1 January – 31 December 2023	1 January – 31 December 2022
Balance on 1 January	<u>3,028,375</u>	<u>938,975</u>
Income tax expenses for the current year	30,616,907	17,288,731
Income tax paid during the year	<u>(26,003,618)</u>	<u>(15,199,349)</u>
Balance at 31 December	<u>7,641,646</u>	<u>3,028,357</u>

7. CURRENT TAX AND DEFERRED TAX (continued)

7.2 Deferred tax

The Company offsets deferred tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities and relate to income taxes levied by the same tax authority.

Deferred tax relates to the following:

Deferred income tax	31 December 2023	31 December 2022	Movement in profit or loss / other comprehensive income	
			2023	2022
Deferred tax assets				
Employee benefit liabilities	1,322,154	951,655	370,488	419,835
Allowances and provisions	2,193,512	1,924,272	269,240	(889,689)
Accrual for employee bonuses and for leaves not taken	3,163,499	2,339,358	824,142	542,385
Total (a)	6,679,165	5,215,295	1,463,870	72,530
Deferred tax liabilities				
Property, plant and equipment and intangible assets	(12,235,869)	(12,353,840)	117,970	(44,999)
Total (b)	(12,235,869)	(12,353,840)	117,970	(44,999)
Net deferred tax (a) - (b)	(5,556,704)	(7,138,545)	1,581,841	27,532

The deferred tax-liabilities related to property, plant and equipment are generated by the temporary difference between fiscal and accounting base of the carrying value, because the Company uses different useful lives and impairment methods in the accounting ledger than the fiscal one, and because of revaluations.

The Company recognizes tax items in Statement of Comprehensive Income, as follows:

	2023	2022
Deferred tax		
Recognized in profit or loss (7.1)	(1,407,458)	(1,769,017)
Recognized in other comprehensive income	(174,383)	1,741,485
Total	(1,581,841)	(27,532)

8. EARNINGS PER SHARE

The number of shares related to the period ended on 31 December 2023 and 31 December 2022 is 697,017,040 which generated 0.28 RON / share (2022: 0.14 RON / share).

	31 December 2023	31 December 2022
Profit attributable to ordinary equity holders	192,615,832	99,465,204
Number of ordinary shares	697,017,040	697,017,040
Earnings per share, basic and diluted (RON/share)	0.28	0.14

ZENTIVA SA
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for the financial year ended on 31 December 2023
(amounts are expressed in RON, unless specified otherwise)

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

9.1 PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Machinery, tools and equipment</u>	<u>Constructions in progress</u>	<u>Total</u>
Gross value 1 as of January 2023	57,988,369	56,850,095	243,245,736	24,842,447	382,926,649
Additions	-	-	-	27,977,711	27,977,711
Disposals	-	-	(2,778,659)	-	(2,778,659)
Transfers	-	2,653,043	15,107,397	(17,760,440)	-
Gross value as of 31 December 2023	57,988,369	59,503,139	255,574,474	35,059,718	408,125,701
Depreciation as of 1 January 2023	-	-	(169,722,258)	(609,878)	(170,332,137)
Depreciation in the year	(300,151)	(3,847,978)	(14,967,476)	-	(19,115,605)
Impairment	-	(929,026)	-	-	(929,026)
Other movements	10	(282)	-	-	(272)
Disposals	-	-	2,757,059	-	2,757,059
Depreciation as of 31 December 2023	(300,141)	(4,777,286)	(181,932,675)	(609,878)	(187,619,981)
Net book value as of 31 December 2023	57,688,228	54,725,853	73,641,799	34,449,840	220,505,720
	<u>Land</u>	<u>Buildings</u>	<u>Machinery, tools and equipment</u>	<u>Constructions in progress</u>	<u>Total</u>
Gross value 1 as of January 2022	53,101,955	58,589,228	246,394,324	5,809,384	363,894,891
Additions	-	-	-	27,109,730	27,109,730
Impact through revaluation reserve	5,137,903	5,746,380	-	-	10,884,283
Impact from revaluation in profit and loss	-	596,748	-	-	596,748
Cancelled depreciation upon reevaluation	(251,261)	(8,411,308)	-	-	(8,662,569)
Disposals	(229)	-	(10,896,206)	-	(10,896,435)
Transfers	-	329,048	7,747,618	(8,076,666)	-
Gross value as of 31 December 2022	57,988,369	56,850,095	243,245,736	24,842,447	382,926,649
Depreciation as of 1 January 2022	(14,191)	(2,688,781)	(165,810,418)	(609,878)	(169,103,268)
Depreciation in the year	(237,069)	(5,722,527)	(14,926,955)	-	(20,886,552)
Cancelled depreciation upon reevaluation	251,261	8,411,308	-	-	8,662,569
Other movements	-	-	125,195	-	125,195
Disposals	-	-	10,889,920	-	10,889,920
Depreciation as of 31 December 2022	-	-	(169,722,258)	(609,878)	(170,332,137)
Net book value as of 31 December 2022	57,988,369	56,850,095	73,523,478	24,232,570	212,594,512

The value of fully depreciated assets as of 31 December 2023 is RON 134,457,486 (2022: RON 125,080,879).

At 31 December 2023, the Company recorded an impairment allowance for a building that is in progress of being demolished in amount of RON 929,026.

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

Revaluation of land and buildings

As of 31 December 2022, the Company revalued the existing land and buildings in the Company's patrimony. The revaluation was made by an independent valuer in accordance with the International Valuation Standards.

The net impact following the revaluation was in the amount of RON 11,481,031, of which in the revaluation reserve it was registered the amount of RON 10,884,283.

Also, in 2022, as a result of the revaluation, the amount of RON 596,748 was recorded as an impact on the profit for the year - on the line of "Depreciation and impairment"; 1,305,483 RON representing the reversal of impairment losses related to buildings resulting from the revaluation from 31 December 2017 and 31 December 2020 and 708,735 RON impairment losses resulted from 31 December 2022 revaluation.

Fair value was determined by reference to market information, using the net rental income capitalization approach as the main method in valuing buildings and special constructions and the market approach (direct comparison method), as a method for land valuation. The cost replacement approach was also applied as a secondary valuation method for the buildings valuation.

Valuation techniques are selected by the independent valuer 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 inputs on level 3 of the fair value measurement hierarchy.

The inputs used in the valuation were:

a. For buildings and special constructions:

- level 3 inputs representing replacement costs, historic costs, historic cost update indexes, impairment adjustments - most of these being 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 impairment estimated by the valuer.

b. For land:

- level 3 inputs representing sale prices taken from sale offers for similar pieces of land, publicly available, with adjustments made by the valuer depending on their comparability with the measured pieces of land.

The result of the evaluation was influenced by the main market inputs used, mainly: market value per square meter for land (estimated at EUR 149 / sqm), estimation of net rental revenues for buildings (estimating a monthly market rent, the occupancy rate of the property, the operating expenses, respectively the property tax, the insurance premium, administrative expenses and expenses for capital repairs and a capitalization rate of 9.5%).

The fair value of the Company's land of 77,877 sqm was determined by the valuer to be EUR 149/sqm.

The total fair value of the measured assets was RON 114,838,475. The sensitivity analysis of the overall value of the valued asset base, performed by using the main inputs under the income approach in the range - / + 1% for the capitalization rate and (3%) / + 5% in the degree of vacancy (cumulative sensitivity of the two basic indicators), indicated an interval of RON 108,1m - RON 121,1m.

As at 31 December 2023, the independent valuer reassessed the fair value using updated market estimates and concluded that there are no significant variations compared to the fair values estimated as at 31 December 2022.

If the Company would have accounted land and buildings using the historic cost method the net book value of the land and buildings as of 31 December 2023 would have been RON 35,945,200 (2022 RON 35,312,958).

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

Construction in progress and downpayments

Construction in progress as of 31 December 2023 are in amount of RON 34,449,840 (2022: RON 24,232,570) and include mainly equipment related to the production capacity and laboratory design works that will be finalized and put in function in first half of 2024. The main project is the Aseptic line for ampoules and will be put in function in April 2024.

At 31 December 2023 and 31 December 2022, the Company recorded an accumulated impairment allowance for construction in progress in amount of RON 609,878 for old items that were not completed by this date.

During 2023 some of the investments started during the year and in the previous periods were completed, being transferred from the category of tangible assets under construction into machines, machinery and equipment. Their total value was RON 17,760,440 (2022: RON 8,076,666).

As at 31 December 2023, the company has paid advances for equipment in amount of RON 8,652,051 (2022: RON 5,907,878).

9.2 RIGHT-OF-USE ASSETS

	Buildings	Machinery Tools and Equipment	Total
Net book value as of 1 January 2023	4,027,495	14,654,393	18,681,888
Additions during the year	-	10,183,437	10,183,437
Disposals	-	(73,096)	(73,096)
Depreciation in the year	(1,332,607)	(6,367,482)	(7,700,089)
Net book value as of 31 December 2023	2,694,889	18,397,251	21,092,140

	Buildings	Machinery Tools and Equipment	Total
Net book value as of 1 January 2022	784,647	8,184,266	8,968,913
Additions during the year	4,490,111	10,245,738	14,735,849
Additions IBR change	227,414	128,540	355,954
Disposals	-	(62,993)	(62,993)
Depreciation in the year	(1,474,677)	(3,841,158)	(5,315,835)
Net book value as of 31 December 2022	4,027,495	14,654,393	18,681,888

Right of use assets for the buildings refer to the lease contract for the storage premises owned by FM Logistic, whilst right of use assets for machinery tools and equipment are related to car leasing, lease of a packing line and lease for IT equipment.

The leases for vehicles have a lease term of 48 months. The Company's obligations under the lease contracts are secured by the lessor's title to the leased assets.

The Company has a lease for a warehouse used for medicines storage, that includes the termination option. This option is negotiated by the Company's management to provide flexibility in the management of the leased asset and align with the Company's business needs. The Company's management applies judgement to determine whether it is reasonably certain to exercise termination option.

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

The table below shows the carrying amount of the lease liability and movements in this category during the financial year 2023 and respectively 2022:

	<u>2023</u>	<u>2022</u>
As of 1 January	18,810,981	9,323,786
Additions during the period	10,183,437	14,735,849
Interest on the lease liability	921,171	252,616
Early termination of car leases	(71,157)	(63,070)
Lease payments	(7,319,410)	(5,319,378)
Interest paid	(921,171)	(252,616)
Forex impact	(448,242)	133,794
As of 31 December	21,155,608	18,810,981
Out of which:		
Short term lease liability	7,261,482	5,811,596
Long term lease liability	13,894,126	12,999,385

The following expenses represent the amounts recognized in the Statement of Comprehensive Income in relation to leases in 2023 and respectively in 2022:

	<u>2023</u>	<u>2022</u>
Depreciation of right-of-use assets	7,700,089	5,315,835
Interest expense on the lease liability	921,171	252,616
Total expenses recognized in the Statement of Comprehensive Income	8,621,260	5,568,451

Lease commitments

In 2023 a new lease agreement was signed with FM Logistic for Industrial Affairs business, but up until the end of the year the space was not made available for use. The estimated discounted value of the future lease payments as of 31 December 2023 is RON 9,452,000 for the office space and RON 746,000 for the related equipment.

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10. INTANGIBLE ASSETS

	<u>Other intangible assets</u>	<u>Intangibles in progress</u>	<u>Total</u>
Costs at 1 January 2023	9,349,869	5,364	9,355,232
Additions	-	342,007	342,007
Disposals	(199,164)	-	(199,164)
Transfers	264,971	(264,971)	-
Costs at 31 December 2023	9,415,675	82,399	9,498,075
Amortization and impairment at 1 January 2023	(6,240,945)	-	(6,240,945)
Amortization in the year	(507,943)	-	(507,943)
Other movements	-	-	-
Disposals	199,164	-	199,164
Amortization and impairment at 31 December 2023	(6,549,723)	-	(6,549,723)
Net value at 31 December 2023	2,865,952	82,399	2,948,351

	<u>Other intangible assets</u>	<u>Intangibles in progress</u>	<u>Total</u>
Costs at 1 January 2022	10,511,054	45,499	10,556,553
Additions	-	305,366	305,366
Disposals	(1,506,686)	-	(1,506,686)
Transfers	345,501	(345,501)	-
Costs at 31 December 2022	9,349,869	5,364	9,355,232
Amortization and impairment at 1 January 2022	(5,903,584)	-	(5,903,584)
Amortization in the year	(1,241,907)	-	(1,241,907)
Other movements	(602,140)	-	(602,140)
Disposals	1,506,686	-	1,506,686
Amortization and impairment at 31 December 2022	(6,240,945)	-	(6,240,945)
Net value at 31 December 2022	3,108,924	5,364	3,114,287

11. GOODWILL AND CUSTOMER RELATIONSHIPS

	<u>Goodwill</u>	<u>Customer relationships</u>	<u>Total</u>
Cost at 1 January 2023	11,649,100	34,492,101	46,141,201
Additions	-	-	-
Disposals	-	-	-
Transfers	-	-	-
Cost at 31 December 2023	11,649,100	34,492,101	46,141,201
Amortization and impairment at 1 January 2023	-	(14,117,631)	(14,117,631)
Amortization in the year	-	(3,449,210)	(3,449,210)
Disposals	-	-	-
Amortization and impairment at 31 December 2023	-	(17,566,841)	(17,566,841)
Net value at 31 December 2023	11,649,100	16,925,260	28,574,360

11. GOODWILL AND CUSTOMER RELATIONSHIPS (continued)

	<u>Goodwill</u>	<u>Customer relationships</u>	<u>Total</u>
Cost at 1 January 2022	11,649,100	34,492,101	46,141,201
Additions	-	-	-
Disposals	-	-	-
Transfers	-	-	-
Cost at 31 December 2022	11,649,100	34,492,101	46,141,201
Amortization and impairment at 1 January 2022	-	(10,668,421)	(10,668,421)
Amortization in the year	-	(3,449,210)	(3,449,210)
Disposals	-	-	-
Amortization and impairment at 31 December 2022	-	(14,117,631)	(14,117,631)
Net value at 31 December 2022	11,649,100	20,374,470	32,023,570

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 as of 31 December 2023 and respectively as of 31 December 2022 in accordance with IAS 36. The recoverable value of the CGU to which goodwill is allocated 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 CGU's carrying amount to exceed its recoverable amount.

The recoverable value was determined based on the value in use 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 (2024 – 2032) determined taking into account an average annual growth rate of net sales of 7.5% (2022: 7.4%), a perpetuity growth rate of 2.5% (2022: 2.5%), operating margin of 3.0% (2022: 4.5%) and a WACC of 14.5% for 2024, 11.6% for 2025 and 10.5% for the period 2026 - 2032.

12. INVENTORIES

Inventories	31 December 2023	31 December 2022
Merchandise	42,934,535	27,880,610
Finished goods and semi-finished goods	57,681,841	55,002,377
Raw materials	83,160,193	90,332,051
Packaging materials	21,823,278	18,410,109
Minus:		
Allowance of inventories	(13,716,239)	(18,564,915)
Total	<u>191,883,609</u>	<u>173,060,231</u>
	31 December 2023	31 December 2022
Changes in allowance per inventory category		
Balance on 1 January	<u>(18,564,915)</u>	<u>(27,916,834)</u>
Net movement	4,848,676	9,351,919
Balance at 31 December	<u>(13,716,239)</u>	<u>(18,564,915)</u>
	31 December 2023	31 December 2022
Allowance per inventory category		
Finished goods, semi-finished goods and merchandise	(7,242,079)	(12,112,580)
Raw materials	(5,849,707)	(5,336,569)
Packaging materials	(624,452)	(1,115,766)
Total	<u>(13,716,239)</u>	<u>(18,564,915)</u>

The Company has no inventories pledged in favor of third parties as of 31 December 2023 and 31 December 2022 respectively.

The amount of the write-down of inventories recognised as an expense in the period is disclosed in Note 6.2.

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13. TRADE RECEIVABLES AND OTHER RECEIVABLES; ADVANCES AND PREPAYMENTS

Trade receivables and other receivables	<u>31 December 2023</u>	<u>31 December 2022</u>
Total trade receivables, net, out of which:	409,688,292	148,849,848
Trade receivables	279,501,113	129,671,535
Trade receivables from related parties	130,761,721	19,495,809
Less		
Allowance for expected credit losses	<u>(574,542)</u>	<u>(317,495)</u>
Total other receivables- net, out of which:	1,187,545	2,596,904
Recoverable taxes	1,343,305	2,273,005
Sundry debtors	3,290	488,189
Less		
Allowance for doubtful foreseen losses from other receivables	<u>(159,050)</u>	<u>(164,290)</u>
Total Trade receivables and other receivables	<u>410,875,837</u>	<u>151,446,752</u>
	31 December 2023	31 December 2022
Advances and prepayments of which:	3,847,896	13,642,385
Advances paid – current	1,072,091	1,128,508
Advances paid to related parties – current	-	11,736,473
Prepayments	1,637,924	777,405
Prepayments to related parties	<u>1,137,881</u>	<u>-</u>
Total advances and prepayments current	<u>3,847,896</u>	<u>13,642,385</u>

In January 2019, the Company signed with Factofrance SA a non-recourse factoring contract to finance the local receivables with the main Romanian distributors by buying on a non-recourse basis all the available receivables subject to the maximum limit covered by the Credendo and Coface insurer.

Starting October 2022, the Company decided to stop selling new receivables to Factofrance. In the period following October 2022, only repayments were made. In March 2023 the factoring agreement with Factofrance was closed.

Trade receivables are not interest-bearing and are generally on 60 - 120 days terms (2022: 60 - 120 days terms).

The trade receivables are presented net of the accrual for commercial discounts amounting RON 33 million at year end 31 December 2023 (2022: RON 37 million), for which the Company will issue credit notes throughout the year 2024.

13. TRADE RECEIVABLES AND OTHER RECEIVABLES; ADVANCES AND PREPAYMENTS
(continued)

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

Value adjustments	31 December 2023	31 December 2022
Balance as of 1 January	(481,785)	(3,375,700)
Set-up	(257,047)	(858,355)
Uses	5,240	3,752,270
Balance as of 31 December	(733,592)	(481,785)

Year 2023

The Company has trade receivables to be recovered from Group companies, and payables to those companies. Offsetting of the amounts is planned to be done on a regular basis.

The majority of trade receivables from third parties are insured against the default risk by Credendo and Coface, companies with an AA rating according to S&P.

As at 31 December 2023, for estimating the expected credit losses ("ECL") related to the receivables of the company, an analysis has been made to assess the credit risk in terms of probability of default, determined based on creditworthiness of Credendo and Coface. The probability of default parameter was derived from external agency ratings. Last identified rating is Moody's B3 rating. For the purpose of IFRS 9, the standard ECL formula and a forward looking correction were applied.

As a result of this IFRS 9 analysis, the Company estimates an impairment of trade receivables from third parties and group companies in amount of RON 574,542.

Year 2022

The Company has trade receivables to be recovered from Group companies, and payables to those companies. Offsetting of the amounts is planned to be done on a regular basis.

The majority of trade receivables from third parties are insured against the default risk by Credendo and Coface, companies with an AA rating according to S&P.

As at 31 December 2022, for estimating the expected credit losses ("ECL") related to the receivables of the company, an analysis has been made to assess the credit risk in terms of probability of default, determined based on creditworthiness of Credendo and Coface. The probability of default parameter was derived from external agency ratings. Last identified rating is Moody's B3 rating. For the purpose of IFRS 9, the standard ECL formula and a forward looking correction were applied.

As a result of this IFRS 9 analysis, the Company estimates an impairment of trade receivables from third parties and group companies in amount of RON 317,495.

14. CASH AND CASH EQUIVALENTS

	<u>31 December 2023</u>	<u>31 December 2022</u>
Cash at banks and on hand	27,302,728	11,190,679
Total	<u>27,302,728</u>	<u>11,190,679</u>

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.

As of 31 December 2023, the Company had letters of guarantee issued in favor of third parties amounting to RON 26,160 (2022: RON 19,105).

As of 31 December 2023 and 31 December 2022 respectively, the Company has an unused credit facility of RON 10,000,000 at BNP Paribas. The interest rate is 1-month ROBOR + 1.30% pa.

15. CASH POOLING INTERCOMPANY RECEIVABLE

In 2023 and 2022 the Company participated in a cash pooling agreement with AI Sirona (Luxembourg) Acquisition SARL (the ultimate parent entity of Zentiva Group, a.s.). 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.

The total interest income for cash-pooling transactions during the year is in the amount of RON 37,877,564 (2022: interest income in the amount of RON 31,614,121) and is presented in Note 6.4 Financial income.

In estimating the expected credit losses ("ECL") related to the cash pooling contract and ability of the ultimate parent company to be able to repay the cash deposits on demand, if required by the Company within its local business, the Company took into account the rating of the Zentiva Group as well as its sufficient liquidity from a) Revolving Credit Facilities and b) cash balance and concluded that no significant credit risk exists for this financial instrument. As at 31 December 2023, the company booked a ECL provision in amount of RON 938,466 (31 December 2022: RON 1,070,369).

16. ISSUED CAPITAL AND RESERVES

Authorized shares	31 December 2023	31 December 2022
Ordinary shares of RON 0.1 each	697,017,040	697,017,040
	Number	Value
On 31 December 2023	697,017,040	69,701,704
On 31 December 2022	697,017,040	69,701,704

Redeemable shares: The Company has no redeemable shares on 31 December 2023 (2022: no redeemable shares).

Share capital	31 December 2023	31 December 2022
Issued share Capital	69,701,704	69,701,704
Total share capital	69,701,704	69,701,704

As of December 31, 2023, Zentiva Group a.s. held 95,9486% of the Company's shares (31 December 2022: 95,9486%), the remainder of the shares being held by other minority shareholders.

Share premium	31 December 2023	31 December 2022
Inflated share premiums		
Share premiums (nominal value)	9,863,684	9,863,684
Hyperinflation adjustment on share premiums*	15,100,822	15,100,822
Total inflated share premiums	24,964,506	24,964,506

* For conversion to IFRS in 2011, the Company recorded a hyperinflation adjustment for the share premiums for the period 1992 - 2003 when Romania was considered to be a hyperinflationary economy.

Revaluation reserves

The revaluation reserve is considered to be realized when the correspondent asset is disposed of or sold. Once the revaluation reserve becomes realized, it can be distributed. As at 31 December 2023, the Company has revaluation reserves in amount of RON 67,069,892 (2022: RON 67,069,892).

16. ISSUED CAPITAL AND RESERVES (continued)

Legal and other reserves

	<u>31 December 2023</u>	<u>31 December 2022</u>
Total other reserves included in the capital components:		
Legal reserves (i)	13,940,341	13,940,341
Other reserves (other funds) (ii)	<u>142,021,169</u>	<u>132,458,834</u>
Total other reserves	<u>155,961,510</u>	<u>146,399,175</u>

(i) The company sets its legal reserves under the Companies Law, which requires that 5% of the annual accounting profit before taxes is transferred to „Legal Reserves” until the balance of this reserve reaches the threshold of 20% of share capital. Legal reserves are not distributable. On 31 December 2020, the legal reserves of the Company reached the threshold of 20% from the share capital. In 2022 and 2023, the company didn't set legal reserves.

(ii) Other reserves include RON 104,406,145 undistributed profits from the years 2004 - 2008, 2012 – 2013, 2015 – 2016, that are available for distribution as dividends and RON 37,615,024 reserves from reinvested profits (2022: RON 28,052,689). When the reserves from reinvested profit are used, they become taxable.

The company is required to keep the assets, for which the tax benefit was obtained, in its patrimony for at least a period equal to half the period of economic use of the asset, but not more than 5 years.

17. DIVIDENDS DISTRIBUTED AND PAID

During 2023, the Company did not distribute dividends (2022: the Company did not distribute dividends).

In 2023, the Company made no dividend payments to the Company's shareholders (2022: RON 0 dividend payments).

18. PROVISIONS

Other provisions	31 December 2023	31 December 2022
Provisions for litigations	-	-
Provisions for taxes	(3,583,810)	(3,583,810)
Other provisions	-	(1,001,717)
Environmental provision	(1,265,568)	(1,265,568)
Total	(4,849,378)	(5,851,095)

	Provisions for litigations	Provisions for taxes	Environment al provision	Other provisions	Total
On 1 January 2023	-	3,583,810	1,265,568	1,001,717	5,851,095
Increase	-	-	-	-	-
Reversal	-	-	-	(1,001,717)	(1,001,717)
On 31 December 2023	-	3,583,810	1,265,568	-	4,849,378
Current	-	3,583,810	-	-	3,583,810
Long term	-	-	1,265,568	-	1,265,568

	Provisions for litigations	Provisions for taxes	Environmental provision	Other provisions	Total
On 1 January 2022	211,549	3,583,810	1,265,568	-	5,060,927
Increase	-	262,800	-	1,913,472	2,176,272
Reversal	(211,549)	(262,800)	-	(911,755)	(1,386,104)
On 31 December 2022	-	3,583,810	1,265,568	1,001,717	5,851,095
Current	-	3,583,810	-	1,001,717	4,585,527
Long term	-	-	1,265,568	-	1,265,568

Provisions for taxes

As at 31 December 2023, the balance of the tax provision is in amount of RON 3,583,810.

The provisions for taxes are set for the amounts payable to the State Budget, provided that the respective amounts do not appear as a liability in relation to the State.

Environmental provisions

The environmental provision was reassessed by specialists during the year 2021 and the balance of the provision as of 31 December 2022 and 31 December 2023 is in amount of RON 1,265,568. This represents expenses related to ecological rehabilitation and soil and underground water monitoring.

19. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

As detailed in the accounting policy, the Company applies an employee defined benefit plan. The plan requires the Company to pay social security contributions for the employees in the public pension fund.

In the normal course of business, the Company makes payments to the Romanian State for on behalf of its employees. All Company employees are members of the Romanian State pension plan. The Company does not operate any other pension plan or post-retirement benefit plan except for the retirement benefits plan detailed below and, consequently, has no obligation concerning pensions. In addition, the Company is not under the obligation to provide additional benefits to former or current employees.

Benefits granted upon retirement:

According to the Collective Labor Agreement, the Company grants to its employees a variable number of salaries depending on length of service within the Company.

According to P1 Plan, upon retirement, retirees receive a bonus depending on their length of service within the Company as follows:

- Up to 10 years in the Company, $\frac{1}{2}$ average gross salary at company level;
- 10 - 20 years within the Company, 1 average gross salary at company level;
- 20 - 30 years within the Company, 2 average gross salary at company level;
- Over 30 years within the Company, 3 average gross salaries at company level.

In addition, according to P2 Plan, when employees turn 50, in case the employees have completed 5 years of continuous service in the company, they receive a bonus based on their length of service within the Company as follows:

- 5 - 15 years in the Company, $\frac{1}{2}$ average gross employee salary;
- Over 15 years in the Company, one average gross employee salary.

At the same time, depending on the length of service at the Company, the employees receive some benefits in fixed amounts, which start with 400 RON upon completion of 2 years in the Company and reach 3,800 RON upon completion of 36 years in the Company.

Provisions for pensions and other similar obligations are estimated based on the collective labor agreement of the Company by a third-party specialist.

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19. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (continued)

Below we summarize the components of the net benefit recognized in the Statement of Comprehensive Income:

	<u>31 December 2023</u>	<u>31 December 2023</u>	<u>Total</u>	<u>31 December 2022</u>	<u>31 December 2022</u>	<u>Total</u>
Post-employment benefits	Post- employment benefits (P1)	Jubilee Plan (P2)		Post- employment benefits (P1)	Jubilee Plan (P2)	
Benefit obligation at the beginning of the year	2,907,000	3,041,000	5,948,000	2,669,000	655,000	3,324,000
Current service cost	213,000	410,000	623,000	199,000	95,000	294,000
Financial cost - interest (on the benefit)	235,000	225,000	460,000	149,000	33,000	182,000
Paid benefits	(695,000)	(959,000)	(1,654,000)	(519,000)	(863,000)	(1,382,000)
Termination benefits	309,000	-	309,000	384,000	-	384,000
Amendments to the plan	-	-	-	-	2,180,000	2,180,000
Actuarial gain / loss – experience	504,000	436,000	940,000	321,000	943,000	1,264,000
Actuarial gain / loss – changes in financial assumptions	378,000	170,000	548,000	(295,000)	(2,000)	(297,000)
Benefit obligation at the end of the year	3,851,000	3,323,000	7,174,000	2,907,000	3,041,000	5,948,000
The net benefit liability recognized in the statement of financial position	3,851,000	3,323,000	7,174,000	2,907,000	3,041,000	5,948,000
	<u>31 December 2023</u>	<u>31 December 2023</u>	<u>Total</u>	<u>31 December 2022</u>	<u>31 December 2022</u>	<u>Total</u>
Changes in actuarial gains	Retirement benefit plan (P1)	Jubilee bonus plan (P2)		Retirement benefit plan (P1)	Jubilee bonus plan (P2)	
Actuarial gains / losses accumulated at the beginning of the year	944,000	1,284,000	2,228,000	917,000	343,000	1,260,000
Actuarial (gain) / losses following changes in employee experience	504,000	436,000	940,000	321,000	943,000	1,264,000
Actuarial (gain) / losses following changes in financial assumptions	378,000	170,000	548,000	(295,000)	(2,000)	(297,000)
Actuarial gains / losses accumulated at the end of the year	1,826,000	1,890,000	3,716,000	944,000	1,284,000	2,228,000
Assumptions to determine the defined benefit obligation						
Discount rate	7.00%	7.00%	-	8.10%	8.10%	-
Compensation increase rate	5.50%	5.50%	-	5.50%	5.50%	-

20. TRADE PAYABLES AND OTHER PAYABLES

Trade payables and other payables	31 December 2023	31 December 2022
Trade payables	83,782,862	82,127,427
Trade payables to related parties at the end of year	<u>127,206,060</u>	<u>32,968,150</u>
Total	<u>210,988,922</u>	<u>115,095,577</u>

Other current liabilities	31 December 2023	31 December 2022
Wages and salaries payable	19,650,365	16,727,645
Social security contributions and salary taxes	4,380,866	5,341,031
Claw-back tax (*)	14,164,344	13,091,407
Other taxes	3,078,401	2,796,582
Other liabilities	<u>4,977,605</u>	<u>3,636,712</u>
Total	<u>46,251,580</u>	<u>41,593,377</u>

(*) Claw-back	31 December 2023	31 December 2022
Initial estimate of the tax liability to the State Budget for the last quarter	14,376,332	15,207,825
Regularization of the claw-back tax for the last quarter, according to the notification received from the CNAS	<u>(211,988)</u>	<u>(2,116,418)</u>
Total	<u>14,164,344</u>	<u>13,091,407</u>

The terms and conditions of the trade payables mentioned above:

Trade payables are not interest-bearing and are usually settled within 30 - 90 days.

For the terms and conditions regarding affiliates and related parties, see Note 21.

For explanations regarding the Company's liquidity risk management processes, see Note 23.

21. RELATED PARTY DISCLOSURES

21.1 Nature of the transactions with related parties (“affiliated entities and other related parties”)

An entity is “related party” of another entity if:

- a) directly or indirectly, through one or more entities:
 - it controls or it is controlled by the other entity or it is subject to the joint control of the other entity (including the parent companies, the subsidiaries or member subsidiaries);
 - it has an interest in the respective entity, which gives a significant influence on it; or;
 - it holds joint control on the other entity;
- b) it represents an entity associated to the other entity;
- c) it represents a joint venture with the other entity as shareholder;
- d) it represents a member of the entity or the parent company key management;
- e) it represents a close family member of the person mentioned at points a) or d);
- f) it represents an entity which is controlled, jointly controlled or significantly influenced or for which the significant voting right is granted, directly or indirectly, by any of the persons mentioned at points d) or e); or
- g) the entity represents a post-employment benefits plan for the other entity employees or for the employees of any other entity related to such an entity.

➤ **Details about other affiliated parties:**

Company name	Nature of relation	Transaction type	Country of origin	Registered office
Al Sirona (Luxembourg) Acquisition S.à.r.l	Parent of Zentiva Group AS	Holds cash pooling	Luxemburg	Luxemburg
Labormed Pharma Trading SRL	Company under common control	Sale of goods and services	Romania	Bucharest
Labormed Pharma SA	Company under common control	Provision of services	Romania	Bucharest
Solacium Pharma SRL(absorbed by Labormed Pharma Trading as of 31 December 2022)	Company under common control	Provision of services	Romania	Bucharest
Zentiva Group AS	Majority shareholder	Purchases /revenue from services	Czech Republic	Prague
Zentiva Italia	Company under common control	Purchases of goods	Italy	Milan
Zentiva K.S.	Company under common control	Purchases/ Sale of goods and provision of services	Czech Republic	Prague
Zentiva Pharma GMBH	Company under common control	Purchases/ Sale of goods and provision of services	Germany	Frankfurt
Zentiva Private LTD	Company under common control	Purchases of goods	India	Mumbai
Zentiva Pharma UK Limited	Company under common control	Provision of services	UK	London

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21. RELATED PARTY DISCLOSURES (continued)

21.2 Payables and receivables from affiliated entities and other related parties

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

	Balance as of 31 December 2023	Balance as of 31 December 2022
Labormed Pharma Trading SRL	14,143,516	15,382,705
Labormed Pharma SA	1,773,605	3,098,789
Solacium Pharma SRL	-	-
Zentiva K.S.	100,409,533	272,196
Zentiva Group A.S.	14,416,422	725,459
Zentiva Pharma UK Limited	18,645	18,645
Zentiva Private LTD	-	(1,985)
Trade receivables from related parties	130,761,721	19,495,809
Zentiva Group A.S. – advances paid	-	11,736,473
Zentiva K.S. – prepayments	1,137,881	-
Total	131,899,602	31,232,281
Al Sirona (Luxembourg) Acquisition S.à.r.l – cash pooling	583,820,497	583,511,187

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

	Balance as of 31 December 2023	Balance as of 31 December 2022
Labormed Pharma Trading SRL	14,407,094	10,972,707
Labormed Pharma SA	4,059,371	1,718,903
Solacium Pharma SRL	-	-
Zentiva K.S.	75,221,926	12,428,076
Zentiva Group A.S.	31,931,012	6,845,584
Zentiva Pharma GMBH	325,058	323,281
Zentiva Italia	507,890	229,627
Zentiva Private LTD	753,709	380,511
Al Sirona (Luxembourg) Acquisition S.à.r.l	-	69,462
Total	127,206,060	32,968,150

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

➤ **Sales of goods and services**

	Financial year ended at 31 December 2023	Financial year ended at 31 December 2022
Labormed Pharma Trading SRL	34,472,680	18,608,732
Labormed Pharma SA	4,786,899	3,801,066
Solacium Pharma SRL	-	7,213,298
Zentiva K.S.	368,220,773	273,865,627
Zentiva Group AS	14,416,422	15,616,526
Zentiva Pharma UK Limited	-	18,645
Total	421,896,774	319,123,893

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21. RELATED PARTY DISCLOSURES (continued)

From the total sales to the group for the year 2023 are eliminated and are not included in the table above 26,679,224 RON (2022: RON 24,720,735) representing sales to Zentiva KS of goods originating in Turkey and certified for export to the European Union for which the Company acts as an agent. Sales are offset against the cost of the related goods. These are flows of transactions where the Company acts as an agent and not as principal. The transactions refer mainly to products acquired from Zentiva k.s. from factories outside European Union and for which the Company performs as local level quality and certifications procedures in order to be in compliance with sales regulations imposed by European Union.

The sales disclosed above do not include the claw-back tax impact, as presented under Note 5.1 Revenues.

➤ **Purchase of goods and services**

	Financial year ended at 31 December 2023	Financial year ended at 31 December 2022
Labormed Pharma Trading SRL	10,666,474	4,970,584
Labormed Pharma SA	2,012,680	2,297,479
Solacium Pharma SRL	-	1,613,766
Zentiva K.S.	152,683,517	86,415,562
Zentiva Group A.S.	53,923,356	40,142,710
Zentiva Private LTD	1,879,041	1,163,888
Zentiva Italia	276,432	-
Al Sirona (Luxembourg) Acquisition S.à.r.l	-	69,462
Total	221,441,500	136,673,451

From the total group purchases for 2023 are eliminated and are not included in the table above RON 26,679,224 (2022: RON 24,720,735) representing sales to Zentiva KS of goods originating from Turkey and certified for export to the European Union for which the Company acts as an agent. The purchases are offset against the sales of the related goods. These are flows of transactions where the Company acts as an agent and not as principal. The transactions refers mainly to products acquired from Zentiva k.s. from factories outside European Union and for which the Company performs as local level quality and certifications procedures in order to be in compliance with sales regulations imposed by European Union.

Information about the Company's transactions with related parties can also be found in:

- Note 5.1 "Revenues",
- Note 6.2 "Other operating expenses",
- Note 6.4 "Financial income" related to cash pooling account interest.

The ultimate parent of the Company

The Company is part of the Al Sirona (Luxembourg) Acquisition S.a.r.l group, with the registered office in rue des Capucins 5, L - 1313 Luxembourg.

Al Sirona (Luxembourg) Acquisition S.a.r.l has as ultimate shareholder multiple investment funds controlled by Advent International.

There are no transactions, other than those described between the Company and the Zentiva Group during the financial years 2023 and 2022.

21. RELATED PARTY DISCLOSURES (continued)

Compensations granted to the key management of the Company

Directors, managers and the supervisory body

In 2023 the Company granted the following gross amounts to the members of the Board of Directors which include fixed remuneration and bonuses:

	Financial year ended at 31 December 2023	Financial year ended at 31 December 2022
Members of the Board of Directors	2,896,972	2,261,071
Total	2,896,972	2,261,071

The Board of Directors consists of 5 people of which only 4 people are remunerated.

Two persons are part of the executive management, and their remuneration is included in the amounts above. The audit committee consists of the other 3 non-executives members.

As of 31 December 2023 and 2022, the Company had no obligations related to pension payments to the former members of the Board of Directors, executive management and to the members of the supervisory body.

There are no guarantees or future obligations undertaken by the Company on behalf of the directors or the managers at the end of the financial year.

22. CONTINGENCIES

Taxation

All the amounts owed to the State for taxes and charges have been paid or accrued at the balance sheet date. The tax system in Romania undergoes a consolidation process and is being harmonized with the European legislation. Different interpretations may exist at the level of the tax authorities regarding the tax legislation, which may result in additional taxes and penalties payable. Where the State authorities have findings from reviews relating to breaches of Romania's tax laws, these may result in: seizure of the amounts involved additional tax liabilities being payable; fines and penalties (that are applied on the total outstanding amount). As a result, the fiscal penalties resulting from breaches of the legal provisions may result in significant amounts payable to the State budget.

The Company believes to have paid in due time and in full all applicable taxes, penalties and penalty interests, in the applicable extent.

The Romanian tax authorities have completed reviews of corporate tax and VAT up to December 2016.

Starting with 18 September 2023, the Company is subject to a general fiscal control related to corporate income tax and VAT for the period 2017 - 2020. At this moment the fiscal control is ongoing, there are no communications from the authorities at this time, or discussions that could indicate the existence of a fiscal risk that could affect the current result.

In Romania, a financial year remains open to further verification for 5 years.

22. CONTINGENCIES (continued)

Transfer price

According to the applicable relevant Romanian legislation, the tax assessment of related party transactions is based on the concept of market value for the respective transfers. Following this concept, the transfer prices should be adjusted so that they reflect the market prices that would have been set between unrelated companies acting independently (i.e. based on the “arm’s length principle”).

It is likely that transfer pricing reviews will be undertaken in the future in order to assess whether the transfer pricing policy observes the “arm’s length principle” and therefore no distortion exists that may affect the taxable base of the Romanian tax payer.

Legal claims (including the estimated value)

As at December 31, 2023, the Company is involved in several disputes, of which the most significant are listed below:

- The Company was involved in several disputes with the National Health Insurance House ("CNAS") following a challenge filled on the VAT paid, related to the clawback tax for the period Q1 2012 - Q4 2012, as well as on the method of calculating the individual consumption communicated for determining the clawback tax for the period Q1 2013 - Q3 2013 and Q1 2020, requesting the cancellation of the Notifications received from CNAS related to the previously mentioned periods. Currently, the Company is involved in a single litigation, which is ongoing against CNAS, namely- case file no. 7592/2/2020 - for Q2 2020, while the other 6 disputes in which the Company has been involved in the past were definitively settled as at the date of this Report.

*the trial in file no. 7592/2/2020 is suspended considering the Romanian Constitutional Court was requested to solve the exception of unconstitutionality of the phrase “*starting with the first quarter of 2020*” within paragraph 1 of art. 37 of GEO no. 77/2011. According to the Romanian law, the case was suspended on the merits and no appeal. As at December 31, 2023, the file registered with the Romanian Constitutional Court is still in the preliminary report phase.

Thus, so far, the Company has won in court the recovery of the VAT related to the clawback tax for the period Q1 2012 - Q4 2012 and for Q2 2013 - Q3 2013 (for Q1 2013, the Company's action was rejected in its entirety) and is investigating the possibilities of recovery or compensation with other tax obligations of the amounts thus recovered. For all these cases, the decisions of the court are final.

- In August 2019, ALPHA TRANSCORD SRL filed, through its judicial administrator, a summons against the Company. The case, had as subject matter a contractual obligation consisting in the binding of the Defendants, including the Company, to pay the amount of RON 2,262,332.27, related to the road transport services. On 9 November 2021 the court allowed the action in part and ordered the Defendant to pay the Claimant the amount of EUR 21,928.70 (excluding VAT), representing the value of the unpaid invoices. Also, the court ordered ALPHA TRANSCORD SRL to pay the amount of RON 72,655 as court costs to the Defendant.

Alpha Transcord filled an appeal against the above mentioned solution, on June 22, 2023.

At the court hearing held on 17 November 2023, the court maintained the solution of the first court.

This decision is pronounced on appeal and can be appealed (in Romanian, recurs) within 30 days from the communication of the decision’s reasoning. On 31 December 2023, the decision’s reasoning was not communicated to the Company.

The Company’s management considers that the respective litigations will not significantly impact the Company’s operations and financial position.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to the credit risk, the liquidity risk and the market risk (mainly, foreign exchange risk). The Company management oversees the management of these risks.

The Board of Directors reviews and agrees to the policies of managing each of these risks which are summarized below.

Market risk

The market risk is the risk that the fair value of the future cash flows of an instrument will fluctuate because of the changes of the market prices. The market prices have four types of risks: interest rate risk, currency risk, commodity price risk and other price risk, such as the equity price risk. The financial instruments affected by the market risk include credits and loans, deposits, trade receivables and payables.

The sensitivity analyses in the following sections relate to the position as of 31 December 2023 and 2022.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

On 31 December 2023, the Company has no loans received and has a cash pooling agreement with the parent company, at a variable interest rate (as detailed in Note 14, 15 and it has a debit balance as at 31 December 2023 and 2022).

The Company's exposure to the risk of changes in market interest rates is presented below:

Interest rate risk sensitivity

The following table demonstrates the sensitivity to a reasonable potential change in the ROBOR 3M interest rate by +/- 10%, with all other variables held constant, of the Company's profit before tax. The Company's exposure to changes in interest rates is presented below:

	<u>Change in ROBOR rate (+ / - 10%) Effect on profit before tax</u>
2023	3,864,892
2022	3,617,769

Currency risk

The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company's exposure to the risk of the changes in foreign exchange rate mainly refers to the operating activities of the Company (when the receivables or payables are expressed in a currency different from the functional currency of the Company).

The company has transactions in currencies other than its functional currency (RON).

The exposure to the foreign exchange risk (due mainly to the EUR and USD currencies) is not material, and the Company does not use hedging instruments.

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23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The detail of financial instruments in foreign currencies is presented as follows (the amounts are expressed in the RON equivalent):

31 December 2023	EUR	USD	RON	CZK	GBP	Total
Trade receivables and other receivables	21,200,843	-	388,487,449	-	-	409,688,292
Cash pooling intercompany receivable	20,665,215	-	563,155,282	-	-	583,820,497
Cash and cash equivalents	326,315	176,861	26,799,552	-	-	27,302,728
Total assets (1)	42,192,373	176,861	978,442,283	-	-	1,020,811,517
Trade payables – suppliers	76,637,275	11,909,926	122,440,313	1,409	-	210,988,923
Lease liabilities	21,155,608	-	-	-	-	21,155,608
Total liabilities (2)	97,792,883	11,909,926	122,440,313	1,409	-	232,144,531
Difference (1)- (2)	(55,600,510)	(11,733,065)	856,001,970	(1,409)	-	788,666,986

31 December 2022	EUR	USD	RON	CZK	GBP	Total
Trade receivables and other receivables	11,384,874	-	137,464,974	-	-	148,849,848
Cash pooling intercompany receivable	19,843,754	-	563,667,433	-	-	583,511,187
Cash and cash equivalents	159,573	105,443	10,925,662	-	-	11,190,679
Total assets (1)	31,388,201	105,443	712,058,070	-	-	743,551,714
Trade payables – suppliers	36,327,305	13,686,281	65,055,001	-	26,989	115,095,577
Lease liabilities	18,810,981	-	-	-	-	18,810,981
Total liabilities (2)	55,138,286	13,686,281	65,055,001	-	26,989	133,906,558
Difference (1)- (2)	(23,750,085)	(13,580,838)	647,003,068	-	(26,989)	609,645,156

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonable potential change in the exchange rate for US dollar and EUR, with all other variables held constant, of the Company's profit before tax and equity (due to changes in the values of monetary assets and liabilities). The Company's exposure to foreign currency changes is presented below:

	Change in EUR rate (+10%) - Effect on profit before tax and equity	Change in USD rate (+10%) - Effect on profit before tax and equity	Change in CZK rate (+10%) - Effect on profit before tax and equity
2023	(5,560,051)	(1,173,307)	-
2022	(2,375,008)	(1,358,084)	-

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (mainly for trade receivables) and from its financing activities, including deposits with banks and financial institutions and cash pooling intercompany receivable, foreign exchange transactions and other financial instruments.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Trade receivables

Customer credit risk is managed by the Company, subject to the established policy; nonetheless, the Company considers that the credit risk on receivables is low (mainly intra-Group receivables).

Outstanding customer receivables are monitored at the end of each reporting period and any subsequent collections are analyzed.

The impairment indicators are analyzed at each reporting date.

The Company credit risk mainly relates to the receivables from related parties, for which the impairment probability is considered low. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 13, 14 and Note 15.

The Company assesses the concentration of the risk with respect to trade receivables as low due to the fact most of third party receivables are insured.

Financial instruments and cash deposits

The credit risk from the balances with banks and financial institutions is managed by the treasury department of the Company, in accordance with the Company's policies. The maximum exposure of the Company to the credit risk for the components of the statement of financial position is the carrying amounts as illustrated in Note 14 and 15.

Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool.

The Company has no long-term financing (neither trade, nor liabilities to financial institutions).

The Company's financial liabilities with maturities over 1 year are represented by lease liabilities.

The table below details the maturity profile of Company's undiscounted payments of trade payables and financial liabilities:

As of 31 December 2023	<30 days	30 – 60 days	60 - 180 days	180 – 360 days	>1 year	Total
Trade payables	121,874,566	23,297,376	48,212,241	17,604,739	-	210,988,923
Lease liabilities	692,269	1,384,538	2,076,807	4,153,613	14,669,420	22,976,647
Total liabilities	122,566,835	24,681,914	50,289,048	21,758,352	14,669,420	233,965,570

For 2023 year the undiscounted payments of lease liabilities above 5 years are RON 640,166.

As of 31 December 2022	<30 days	30 – 60 days	60 - 180 days	180 – 360 days	>1 year	Total
Trade payables	103,375,560	1,742,620	9,977,397	-	-	115,095,577
Lease liabilities	584,040	717,206	2,155,047	3,246,615	13,009,696	19,712,604
Total liabilities	103,959,600	2,459,825	12,132,444	3,246,615	13,009,696	134,808,181

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

Capital includes shares and equity attributable to shareholders. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize the shareholder's value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes of managing capital during the financial years ended 31 December 2023 and 2022.

24. STATUTORY AUDITOR EXPENSES

In 2023, the statutory auditor Ernst & Young Assurance Services SRL. Auditor had a contractual fee of EUR 130,200 for the statutory audit of the individual annual financial statements of the company, and EUR 8,000 for other reports required by the regulations in place.

25. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no subsequent events that would affect the financial statements of the Company as of December 31, 2023.

The financial statements from page 3 to page 58 were approved by the Board of Directors and were authorized to be issued in accordance with the resolution of the Directors, dated 27 March 2024.

Administrator,
Simona Cocos

Prepared by,
Daniel Nitulescu
Chief Financial Officer

Signature
Company stamp

Signature



STATEMENT

The undersigneds hereby declare that, to the best of their knowledge, the financial statement for 2023 has been prepared in accordance with applicable accounting standards and provides an accurate and compliant representation of Zentiva SA's assets, liabilities, financial position, profit and loss statement.

The report of the Board of Directors presents in an accurate and complete manner information about Zentiva SA's activity and includes a fair assessment of its development and performances, as well as a description of the main risks and uncertainties specific to its activities.

The undersigneds assume responsibility for the preparation of the financial statements for the year 2023 and confirm that:

- a) the accounting methods used in preparing the annual financial statements are in accordance with the applicable accounting standards;
- b) the annual financial statements provide an accurate representation of the company's financial position, performance and all other information related to its activity;
- c) the legal entity mentioned above carries out its activity in conditions of continuity.

General Manager

SIMONA COCOȘ

CFO

DANIEL NIȚULESCU



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Zentiva S.A

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Zentiva S.A (the Company) with official head office in 50, Theodor Pallady Blvd, District 3, Bucharest, identified by sole fiscal registration number 336206, which comprise the statement of financial position as at December 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
<p>Rebates and discounts related to sales</p> <p>The Company sells both products manufactured locally or abroad mainly to group companies or to local distributors, which can fall under certain commercial and reimbursement arrangements. These arrangements could result in deductions to gross sales in arriving at net sales and give rise to obligations for the Company to provide customers with rebates, discounts and returns, which for unsettled amounts are recognised as an accrual at the end of the financial year.</p> <p>We have focused on this area because the computation of rebates and discounts is complex, the determination of the accrual requires a continuous revising and adjusting process based on the most recent available known information by the Management.</p> <p>Given the complexity, manual inputs in the process and the multiple sources of information used for the calculation of the accrued discount and rebates, a significant part of the overall audit effort was concentrated in this area. We therefore consider that this area represents a key audit matter.</p> <p>The Company’s disclosures about the rebates and discounts are included in Note 3 and Note 13 to the financial statements.</p>	<p>Our audit procedures focused on the Management’s process for setting discounts and rebates accruals, including regular revising of initial estimates correlated with the provided supporting documents.</p> <p>Our audit procedures with respect to the accrued discounts and rebates included, but were not limited to, the following procedures:</p> <ul style="list-style-type: none"> ▶ A detailed understanding of the revenue recognition processes, accounting policies and methodologies used by management in respect of revenue recognition, including rebates, discounts and returns; ▶ Considered the appropriateness of the process adopted by management in assessing the values and accounting for rebates and other sales deductions and understood which are the key elements of the calculation in terms of product, portfolio, sales channel; ▶ Obtained discounts calculations for the last month of the year for the significant type of commercial discounts, reconciled the evidence received for completeness to the operational sales database used for computation of discounts and to the accounting records; moreover, we assessed for reasonableness key assumptions against sales activity, customer arrangements and, on a samples basis, we assessed reasonability of data inputs of the calculation against multiple sources. ▶ Circularized a sample of trade receivables balances at year end, including discounts and rebates offered throughout the year, reconciled with the Company’s recorded amounts and obtained supporting evidence or explanations for any material unreconciled differences;

Key Audit Matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> ▶ Checked subsequent settlement of discounts and rebates accrued at year end through the subsequent events period and correlated with the above information; ▶ Undertaken an analysis of the historical accuracy of assumptions and revisions applied by management in setting the accruals by reference to actual rebates and discounts vs. accruals made in prior year. <p>We also evaluated the presentation and disclosure of rebates and discounts within the Company's financial statements</p>

Other information

The other information comprises the Annual Report of the Board of Directors and the Remuneration Report, but does not include the financial statements and our auditors' report thereon. We obtained the Annual Report of the Board of Directors and the Remuneration Report, prior to the date of our auditor's report, and we expect to obtain the Non-Financial Report, as part of a separate report, after the date of our auditor's report. Management is responsible for the other information.

Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the Financial Statements and Our Auditors' Report Thereon

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Annual Report of the Board of Directors and Remuneration Report, we have read these reports and report that:

- a) in the Annual Report of the Board of Directors we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2023;
- b) the Annual Report of the Board of Directors identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 articles 15 - 19;
- c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at December 31, 2023, we have not identified information included in the Annual Report of the Board of Directors that contains a material misstatement of fact.
- d) the Remuneration Report identified above includes, in all material respects, the required information according to the provisions of article 107 (1) and (2) from Law 24/2017 on issuers of financial instruments and market operations.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Company by the General Meeting of Shareholders on 27 April 2017 to audit the financial statements for the financial year end December 31, 2023. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 19 years, covering the financial periods end from December 31, 2005 till December 31, 2023.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on the same date as the issue date of this report.

Provision of Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and non-audit services disclosed in the financial statements, no other services which were provided by us to the Company.

Report on the compliance of the electronic format of the financial statements with the requirements of the ESEF Regulation

We have performed a reasonable assurance engagement on the compliance of the financial statements presented in XHTML format of Zentiva S.A (the Company) for the year ended 31 December 2023, with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation").

These procedures refer to testing the format and whether the electronic format of the financial statements (XHTML) corresponds to the audited financial statements and expressing an opinion on the compliance of the electronic format of the financial statements of the Company for the year ended 31 December 2023 with the requirements of the ESEF Regulation. In accordance with these requirements, the electronic format of the financial statements should be presented in XHTML format.

Responsibilities of the Management and Those Charged with Governance

The Management of the Company is responsible for the compliance with the requirements of the ESEF Regulation in the preparation of the electronic format of the financial statements in XHTML format and for ensuring consistency between the electronic format of the financial statements (XHTML) and the audited financial statements.

The responsibility of the Management also includes the design, implementation and maintenance of such internal control as determined is necessary to enable the preparation of the financial statements in ESEF format that are free from any material non-compliance with the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process for the preparation of financial statements, including the application of the ESEF Regulation.

Auditor's Responsibility

Our responsibility is to express an opinion providing reasonable assurance on the compliance of the electronic format of the financial statements with the requirements of the ESEF Regulation.

We have performed a reasonable assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform our engagement to obtain reasonable assurance about whether the electronic format of the financial statements of the Company is prepared, in all material respects, in accordance ESEF regulation. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.

Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with ISAE 3000 (revised) will always detect material non-compliance with the requirements when it exists.

Our Independence and Quality Management

We apply International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, which requires that we design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have maintained our independence and confirm that we have met the ethical and independence requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

Summary of procedures performed

The objective of the procedures that we have planned and performed was to obtain reasonable assurance that the electronic format of the financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation. When conducting our assessment of the compliance with the requirements of the ESEF Regulation of the electronic reporting format (XHTML) of the financial statements of the Company, we have maintained professional skepticism and applied professional judgement. We have also:

- obtained an understanding of the internal control and the processes related to the application of the ESEF Regulation in respect of the financial statements of the Company, including the preparation of the financial statements of the Company in XHTML format
- tested the validity of the applied XHTML format
- checked whether the electronic format of the financial statements (XHTML) corresponds to the audited financial statements

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the compliance of the electronic format of the financial statements with the requirements of the ESEF Regulation

Based on the procedures performed, our opinion is that the electronic format of the financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation.

On behalf of,

Ernst & Young Assurance Services SRL
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Registered in the electronic Public Register under No. FA77



Name of the Auditor/ Partner: Mihaela Elena Sandu
Registered in the electronic Public Register under No. AF1610

Autoritatea pentru Supravegherea Publică a
Activității de Audit Statutar (ASPAAS)
Firma de audit: ERNST & YOUNG ASSURANCE SERVICES S.R.L.
Registrul Public Electronic: FA77

Autoritatea pentru Supravegherea Publică a
Activității de Audit Statutar (ASPAAS)
Auditor financiar: Sandu Mihaela Elena
Registrul Public Electronic: AF1610

Bucharest, Romania
27 March 2024