

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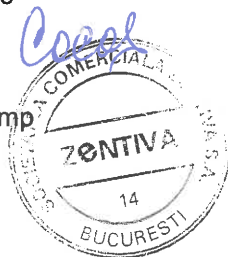
**ZENTIVA SA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**for the financial year ended on 31 December 2023**  
*(amounts are expressed in RON, unless specified otherwise)*

<b>STATEMENT OF COMPREHENSIVE INCOME</b>	<b>Notes</b>	<b>2023</b> <b>RON</b>	<b>2022</b> <b>RON</b>
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
<b>Revenue</b>	<b>5.1</b>	<b>953,633,084</b>	<b>759,630,870</b>
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)
<b>Operating profit</b>		<b>184,514,933</b>	<b>86,330,344</b>
Financial Income	6.4	41,829,109	35,258,118
Financial Expenses	6.3	(4,518,761)	(6,603,544)
<b>Profit before income tax</b>		<b>221,825,281</b>	<b>114,984,918</b>
Income Tax Expense	7	(29,209,449)	(15,519,714)
<b>Net profit for the year (A)</b>		<b>192,615,832</b>	<b>99,465,204</b>
<b>Other comprehensive income:</b>			
<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)
<b>Other comprehensive income net of tax (B)</b>		<b>(707,925)</b>	<b>9,116,761</b>
<b>Comprehensive income for the year (A) + (B)</b>		<b>191,907,906</b>	<b>108,581,965</b>
<b>Net earnings per share (RON/share)</b>	<b>8</b>	<b>0.28</b>	<b>0.14</b>

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)*

<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Notes</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Assets</b>			
<b>Non-current assets</b>			
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
<b>Total Intangible assets</b>		<b>31,522,711</b>	<b>35,137,857</b>
		<b>281,772,621</b>	<b>272,322,135</b>
<b>Current assets</b>			
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
		<b>1,217,730,566</b>	<b>932,851,234</b>
<b>Total assets</b>		<b>1,499,503,187</b>	<b>1,205,173,370</b>
<b>Equity</b>			
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
<b>Total equity</b>		<b>1,191,262,465</b>	<b>999,354,559</b>
<b>Non-current liabilities</b>			
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
<b>Total non-current liabilities</b>		<b>27,889,963</b>	<b>31,633,780</b>
<b>Current liabilities</b>			
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
<b>Total current liabilities</b>		<b>280,350,759</b>	<b>174,185,032</b>
<b>Total liabilities</b>		<b>308,240,722</b>	<b>205,818,811</b>
<b>Total liabilities and equity</b>		<b>1,499,503,187</b>	<b>1,205,173,370</b>

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



Signature

Prepared by,  
Daniel Nitulescu  
Chief Financial Officer

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
<b>Opening balance at 1 January 2023</b>	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
<b>Other comprehensive income:</b>						
Deferred tax impact of other comprehensive income items	-	-	-	-	174,383	174,383
Other comprehensive income	-	-	-	-	(882,308)	(882,308)
<b>Total other comprehensive income</b>	-	-	-	-	<b>(707,925)</b>	<b>(707,925)</b>
<b>Total comprehensive income</b>	-	-	-	-	<b>191,907,906</b>	<b>191,907,906</b>
Reserve for reinvested profit	-	-	9,562,335	-	(9,562,335)	-
<b>Closing balance at 31 December 2023</b>	<b>69,701,704</b>	<b>24,964,506</b>	<b>155,961,510</b>	<b>67,069,892</b>	<b>873,564,853</b>	<b>1,191,262,465</b>

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  
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**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 SHAREHOLDERS EQUITY**

2022

	Share capital	Share premium	Legal and other reserves	Revaluation reserve	Retained earnings	Total
<b>Opening balance at 1 January 2022</b>	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
<b>Other comprehensive income:</b>						
Increase in revaluation 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)
<b>Total other comprehensive income</b>	-	-	-	<b>9,142,798</b>	<b>(26,037)</b>	<b>9,116,761</b>
<b>Total comprehensive income</b>	-	-	-	<b>9,142,798</b>	<b>99,439,167</b>	<b>108,581,965</b>
Reserve for reinvested profit	-	-	24,655,360	-	(24,655,360)	-
<b>Closing balance at 31 December 2022</b>	<b>69,701,704</b>	<b>24,964,506</b>	<b>146,399,175</b>	<b>67,069,892</b>	<b>691,219,282</b>	<b>999,354,559</b>

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

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 Chief Financial Officer

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

<b>STATEMENT OF CASH FLOWS</b>	<b>Note</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Cash flows from operating activities:</b>			
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
<b>Operating profit before working capital changes</b>		<b><u>211,456,202</u></b>	<b><u>103,535,137</u></b>
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)
<b>Cash generated from operating activities</b>		<b><u>40,186,540</u></b>	<b><u>35,790,274</u></b>
Income tax paid	7.1	(26,003,618)	(15,199,349)
<b>Net cash from operating activities</b>		<b><u>14,182,922</u></b>	<b><u>20,590,925</u></b>
<b>Cash flows from investing activities</b>			
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
<b>Net cash from/ (used) in investing activities</b>		<b><u>9,248,537</u></b>	<b><u>(66,678,496)</u></b>
<b>Cash flows from financing activities</b>			
Dividends paid		-	-
Lease payments	9.2	(7,319,410)	(5,319,378)
<b>Net cash used in financing activities</b>		<b><u>(7,319,410)</u></b>	<b><u>(5,319,378)</u></b>
Net increase (decrease) in cash and cash equivalents		16,112,049	(51,406,949)
<b>Cash at the beginning of the period 1 January</b>		<b><u>11,190,679</u></b>	<b><u>62,597,628</u></b>
<b>Cash at the end of the period 31 December</b>		<b><u>27,302,728</u></b>	<b><u>11,190,679</u></b>

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

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Company stamp



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

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 Al 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 Al 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.

	<b>1 January - 31 December 2023</b>	<b>1 January - 31 December 2022</b>
Sales – domestic*	536,495,256	447,289,671
Sales – external*	417,137,828	312,341,199
<b>Total revenue</b>	<b>953,633,084</b>	<b>759,630,870</b>
<b>Sales of goods, including:</b>	<b>894,066,595</b>	<b>704,706,902</b>
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)
<b>Revenue from rendering of services</b>	<b>59,566,489</b>	<b>54,923,968</b>
<b>Total revenue</b>	<b>953,633,084</b>	<b>759,630,870</b>

\*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<sup>^</sup>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**

	<b>Notes</b>	<b>1 January - 31 December 2023</b>	<b>1 January - 31 December 2022</b>
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
<b>Total</b>		<b>451,621,314</b>	<b>370,732,616</b>

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**

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

**6.2 Other operating expenses**

<b>Other operating expenses</b>	<b>1 January – 31 December 2023</b>	<b>1 January – 31 December 2022</b>
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)
<b>Total</b>	<b>133,558,810</b>	<b>140,600,303</b>

## 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
<b>Total Other Expenses</b>	<b>42,390,064</b>	<b>53,100,005</b>

\* 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
<b>Total</b>	<b>4,518,761</b>	<b>6,603,544</b>

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

**6.4 Finance Income**

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

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

**6.5 Employee benefits expenses**

<b>Employee benefits expenses</b>	<b>1 January - 31 December 2023</b>	<b>1 January - 31 December 2022</b>
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
<b>Total</b>	<b>162,197,973</b>	<b>135,032,946</b>

*(\*) 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**

<b>Income tax expense</b>	<b>1 January - 31 December 2023</b>	<b>1 January - 31 December 2022</b>
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>
<b>Total</b>	<b><u>29,209,449</u></b>	<b><u>15,519,714</u></b>

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:

<b>Tax reconciliation</b>	<b>1 January - 31 December 2023</b>	<b>1 January - 31 December 2022</b>
<b>Profit before income taxes</b>	<b><u>221,825,281</u></b>	<b><u>114,984,918</u></b>
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>
<b>Income tax expenses reported in profit or loss</b>	<b><u>29,209,449</u></b>	<b><u>15,519,714</u></b>

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**

<b>Movement in the current income tax during the year</b>	<b>1 January – 31 December 2023</b>	<b>1 January – 31 December 2022</b>
<b>Balance on 1 January</b>	<b><u>3,028,375</u></b>	<b><u>938,975</u></b>
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>
<b>Balance at 31 December</b>	<b><u>7,641,646</u></b>	<b><u>3,028,357</u></b>



## 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
<b>Deferred tax assets</b>				
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
<b>Total (a)</b>	<b>6,679,165</b>	<b>5,215,295</b>	<b>1,463,870</b>	<b>72,530</b>
<b>Deferred tax liabilities</b>				
Property, plant and equipment and intangible assets	(12,235,869)	(12,353,840)	117,970	(44,999)
<b>Total (b)</b>	<b>(12,235,869)</b>	<b>(12,353,840)</b>	<b>117,970</b>	<b>(44,999)</b>
<b>Net deferred tax (a) - (b)</b>	<b>(5,556,704)</b>	<b>(7,138,545)</b>	<b>1,581,841</b>	<b>27,532</b>

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

## 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
<b>Earnings per share, basic and diluted (RON/share)</b>	<b>0.28</b>	<b>0.14</b>

**ZENTIVA SA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**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**

	Land	Buildings	Machinery, tools and equipment	Constructions in progress	Total
<b>Gross value 1 as of January 2023</b>	<b>57,988,369</b>	<b>56,850,095</b>	<b>243,245,736</b>	<b>24,842,447</b>	<b>382,926,649</b>
Additions	-	-	-	27,977,711	27,977,711
Disposals	-	-	(2,778,659)	-	(2,778,659)
Transfers	-	2,653,043	15,107,397	(17,760,440)	-
<b>Gross value as of 31 December 2023</b>	<b>57,988,369</b>	<b>59,503,139</b>	<b>255,574,474</b>	<b>35,059,718</b>	<b>408,125,701</b>
<b>Depreciation as of 1 January 2023</b>	-	-	(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
<b>Depreciation as of 31 December 2023</b>	<b>(300,141)</b>	<b>(4,777,286)</b>	<b>(181,932,675)</b>	<b>(609,878)</b>	<b>(187,619,981)</b>
<b>Net book value as of 31 December 2023</b>	<b>57,688,228</b>	<b>54,725,853</b>	<b>73,641,799</b>	<b>34,449,840</b>	<b>220,505,720</b>

	Land	Buildings	Machinery, tools and equipment	Constructions in progress	Total
<b>Gross value 1 as of January 2022</b>	<b>53,101,955</b>	<b>58,589,228</b>	<b>246,394,324</b>	<b>5,809,384</b>	<b>363,894,891</b>
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)	-
<b>Gross value as of 31 December 2022</b>	<b>57,988,369</b>	<b>56,850,095</b>	<b>243,245,736</b>	<b>24,842,447</b>	<b>382,926,649</b>
<b>Depreciation as of 1 January 2022</b>	<b>(14,191)</b>	<b>(2,688,781)</b>	<b>(165,810,418)</b>	<b>(609,878)</b>	<b>(169,103,268)</b>
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
<b>Depreciation as of 31 December 2022</b>	<b>-</b>	<b>-</b>	<b>(169,722,258)</b>	<b>(609,878)</b>	<b>(170,332,137)</b>
<b>Net book value as of 31 December 2022</b>	<b>57,988,369</b>	<b>56,850,095</b>	<b>73,523,478</b>	<b>24,232,570</b>	<b>212,594,512</b>

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

	<b>Buildings</b>	<b>Machinery Tools and Equipment</b>	<b>Total</b>
<b>Net book value as of 1 January 2023</b>	<b>4,027,495</b>	<b>14,654,393</b>	<b>18,681,888</b>
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)
<b>Net book value as of 31 December 2023</b>	<b>2,694,889</b>	<b>18,397,251</b>	<b>21,092,140</b>

	<b>Buildings</b>	<b>Machinery Tools and Equipment</b>	<b>Total</b>
<b>Net book value as of 1 January 2022</b>	<b>784,647</b>	<b>8,184,266</b>	<b>8,968,913</b>
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)
<b>Net book value as of 31 December 2022</b>	<b>4,027,495</b>	<b>14,654,393</b>	<b>18,681,888</b>

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.

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**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>
<b>As of 1 January</b>	<b>18,810,981</b>	<b>9,323,786</b>
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
<b>As of 31 December</b>	<b>21,155,608</b>	<b>18,810,981</b>
Out of which:		
<b>Short term lease liability</b>	<b>7,261,482</b>	<b>5,811,596</b>
<b>Long term lease liability</b>	<b>13,894,126</b>	<b>12,999,385</b>

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
<b>Total expenses recognized in the Statement of Comprehensive Income</b>	<b>8,621,260</b>	<b>5,568,451</b>

**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**

	Other intangible assets	Intangibles in progress	Total
<b>Costs at 1 January 2023</b>	<b>9,349,869</b>	<b>5,364</b>	<b>9,355,232</b>
Additions	-	342,007	342,007
Disposals	(199,164)	-	(199,164)
Transfers	264,971	(264,971)	-
<b>Costs at 31 December 2023</b>	<b>9,415,675</b>	<b>82,399</b>	<b>9,498,075</b>
<b>Amortization and impairment at 1 January 2023</b>	<b>(6,240,945)</b>	-	<b>(6,240,945)</b>
Amortization in the year	(507,943)	-	(507,943)
Other movements	-	-	-
Disposals	199,164	-	199,164
<b>Amortization and impairment at 31 December 2023</b>	<b>(6,549,723)</b>	-	<b>(6,549,723)</b>
<b>Net value at 31 December 2023</b>	<b>2,865,952</b>	<b>82,399</b>	<b>2,948,351</b>

	Other intangible assets	Intangibles in progress	Total
<b>Costs at 1 January 2022</b>	<b>10,511,054</b>	<b>45,499</b>	<b>10,556,553</b>
Additions	-	305,366	305,366
Disposals	(1,506,686)	-	(1,506,686)
Transfers	345,501	(345,501)	-
<b>Costs at 31 December 2022</b>	<b>9,349,869</b>	<b>5,364</b>	<b>9,355,232</b>
<b>Amortization and impairment at 1 January 2022</b>	<b>(5,903,584)</b>	-	<b>(5,903,584)</b>
Amortization in the year	(1,241,907)	-	(1,241,907)
Other movements	(602,140)	-	(602,140)
Disposals	1,506,686	-	1,506,686
<b>Amortization and impairment at 31 December 2022</b>	<b>(6,240,945)</b>	-	<b>(6,240,945)</b>
<b>Net value at 31 December 2022</b>	<b>3,108,924</b>	<b>5,364</b>	<b>3,114,287</b>

**11. GOODWILL AND CUSTOMER RELATIONSHIPS**

	Goodwill	Customer relationships	Total
<b>Cost at 1 January 2023</b>	<b>11,649,100</b>	<b>34,492,101</b>	<b>46,141,201</b>
Additions	-	-	-
Disposals	-	-	-
Transfers	-	-	-
<b>Cost at 31 December 2023</b>	<b>11,649,100</b>	<b>34,492,101</b>	<b>46,141,201</b>
<b>Amortization and impairment at 1 January 2023</b>	-	<b>(14,117,631)</b>	<b>(14,117,631)</b>
Amortization in the year	-	(3,449,210)	(3,449,210)
Disposals	-	-	-
<b>Amortization and impairment at 31 December 2023</b>	-	<b>(17,566,841)</b>	<b>(17,566,841)</b>
<b>Net value at 31 December 2023</b>	<b>11,649,100</b>	<b>16,925,260</b>	<b>28,574,360</b>

**11. GOODWILL AND CUSTOMER RELATIONSHIPS (continued)**

	<b>Goodwill</b>	<b>Customer relationships</b>	<b>Total</b>
<b>Cost at 1 January 2022</b>	<b>11,649,100</b>	<b>34,492,101</b>	<b>46,141,201</b>
Additions	-	-	-
Disposals	-	-	-
Transfers	-	-	-
<b>Cost at 31 December 2022</b>	<b>11,649,100</b>	<b>34,492,101</b>	<b>46,141,201</b>
<b>Amortization and impairment at 1 January 2022</b>	<b>-</b>	<b>(10,668,421)</b>	<b>(10,668,421)</b>
Amortization in the year	-	(3,449,210)	(3,449,210)
Disposals	-	-	-
<b>Amortization and impairment at 31 December 2022</b>	<b>-</b>	<b>(14,117,631)</b>	<b>(14,117,631)</b>
<b>Net value at 31 December 2022</b>	<b>11,649,100</b>	<b>20,374,470</b>	<b>32,023,570</b>

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

<b>Inventories</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
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
<b>Minus:</b>		
Allowance of inventories	<u>(13,716,239)</u>	<u>(18,564,915)</u>
<b>Total</b>	<b><u>191,883,609</u></b>	<b><u>173,060,231</u></b>
	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Changes in allowance per inventory category</b>		
<b>Balance on 1 January</b>	<u>(18,564,915)</u>	<u>(27,916,834)</u>
Net movement	4,848,676	9,351,919
<b>Balance at 31 December</b>	<b><u>(13,716,239)</u></b>	<b><u>(18,564,915)</u></b>
	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Allowance per inventory category</b>		
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)
<b>Total</b>	<b><u>(13,716,239)</u></b>	<b><u>(18,564,915)</u></b>

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.



### 13. TRADE RECEIVABLES AND OTHER RECEIVABLES; ADVANCES AND PREPAYMENTS

Trade receivables and other receivables	31 December 2023	31 December 2022
<b>Total trade receivables, net, out of which:</b>	<b>409,688,292</b>	<b>148,849,848</b>
Trade receivables	279,501,113	129,671,535
Trade receivables from related parties	130,761,721	19,495,809
<b>Less</b>		
Allowance for expected credit losses	(574,542)	(317,495)
<b>Total other receivables- net, out of which:</b>	<b>1,187,545</b>	<b>2,596,904</b>
Recoverable taxes	1,343,305	2,273,005
Sundry debtors	3,290	488,189
<b>Less</b>		
Allowance for doubtful foreseen losses from other receivables	(159,050)	(164,290)
<b>Total Trade receivables and other receivables</b>	<b>410,875,837</b>	<b>151,446,752</b>
	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Advances and prepayments of which:</b>	<b>3,847,896</b>	<b>13,642,385</b>
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	1,137,881	-
<b>Total advances and prepayments current</b>	<b>3,847,896</b>	<b>13,642,385</b>

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:

<b>Value adjustments</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Balance as of 1 January</b>	<b>(481,785)</b>	<b>(3,375,700)</b>
Set-up	(257,047)	(858,355)
Uses	5,240	3,752,270
<b>Balance as of 31 December</b>	<b>(733,592)</b>	<b>(481,785)</b>

**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
<b>Total</b>	<b><u>27,302,728</u></b>	<b><u>11,190,679</u></b>

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

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**

<b>Authorized shares</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Ordinary shares of RON 0.1 each	697,017,040	697,017,040

<b>Ordinary shares issued and fully paid</b>	<b>Number</b>	<b>Value</b>
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).

<b>Share capital</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Issued share Capital	69,701,704	69,701,704
<b>Total share capital</b>	<b>69,701,704</b>	<b>69,701,704</b>

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.

<b>Share premium</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Inflated share premiums</b>		
Share premiums (nominal value)	9,863,684	9,863,684
Hyperinflation adjustment on share premiums*	15,100,822	15,100,822
<b>Total inflated share premiums</b>	<b>24,964,506</b>	<b>24,964,506</b>

\* 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**

	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Total other reserves included in the capital components:</b>		
Legal reserves (i)	13,940,341	13,940,341
Other reserves (other funds) (ii)	142,021,169	132,458,834
<b>Total other reserves</b>	<b>155,961,510</b>	<b>146,399,175</b>

(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).

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**18. PROVISIONS**

<b>Other provisions</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
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)
<b>Total</b>	<b>(4,849,378)</b>	<b>(5,851,095)</b>

	<b>Provisions for litigations</b>	<b>Provisions for taxes</b>	<b>Environment al provision</b>	<b>Other provisions</b>	<b>Total</b>
<b>On 1 January 2023</b>	-	<b>3,583,810</b>	<b>1,265,568</b>	<b>1,001,717</b>	<b>5,851,095</b>
Increase	-	-	-	-	-
Reversal	-	-	-	(1,001,717)	(1,001,717)
<b>On 31 December 2023</b>	-	<b>3,583,810</b>	<b>1,265,568</b>	-	<b>4,849,378</b>
Current	-	3,583,810	-	-	3,583,810
Long term	-	-	1,265,568	-	1,265,568

	<b>Provisions for litigations</b>	<b>Provisions for taxes</b>	<b>Environmental provision</b>	<b>Other provisions</b>	<b>Total</b>
<b>On 1 January 2022</b>	<b>211,549</b>	<b>3,583,810</b>	<b>1,265,568</b>	-	<b>5,060,927</b>
Increase	-	262,800	-	1,913,472	2,176,272
Reversal	(211,549)	(262,800)	-	(911,755)	(1,386,104)
<b>On 31 December 2022</b>	-	<b>3,583,810</b>	<b>1,265,568</b>	<b>1,001,717</b>	<b>5,851,095</b>
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, 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, 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, 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 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:

	31 December 2023	31 December 2023	Total	31 December 2022	31 December 2022	Total
	Post-employment benefits (P1)	Jubilee Plan (P2)		Post-employment benefits (P1)	Jubilee Plan (P2)	
<b>Post-employment benefits</b>						
<b>Benefit obligation at the beginning of the year</b>	<b>2,907,000</b>	<b>3,041,000</b>	<b>5,948,000</b>	<b>2,669,000</b>	<b>655,000</b>	<b>3,324,000</b>
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)
<b>Benefit obligation at the end of the year</b>	<b>3,851,000</b>	<b>3,323,000</b>	<b>7,174,000</b>	<b>2,907,000</b>	<b>3,041,000</b>	<b>5,948,000</b>
<b>The net benefit liability recognized in the statement of financial position</b>	<b>3,851,000</b>	<b>3,323,000</b>	<b>7,174,000</b>	<b>2,907,000</b>	<b>3,041,000</b>	<b>5,948,000</b>

	31 December 2023	31 December 2023	Total	31 December 2022	31 December 2022	Total
	Retirement benefit plan (P1)	Jubilee bonus plan (P2)		Retirement benefit plan (P1)	Jubilee bonus plan (P2)	
<b>Changes in actuarial gains</b>						
<b>Actuarial gains / losses accumulated at the beginning of the year</b>	<b>944,000</b>	<b>1,284,000</b>	<b>2,228,000</b>	<b>917,000</b>	<b>343,000</b>	<b>1,260,000</b>
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)
<b>Actuarial gains / losses accumulated at the end of the year</b>	<b>1,826,000</b>	<b>1,890,000</b>	<b>3,716,000</b>	<b>944,000</b>	<b>1,284,000</b>	<b>2,228,000</b>

**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**

<b>Trade payables and other payables</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Trade payables	83,782,862	82,127,427
Trade payables to related parties at the end of year	127,206,060	32,968,150
<b>Total</b>	<b>210,988,922</b>	<b>115,095,577</b>

<b>Other current liabilities</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
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	4,977,605	3,636,712
<b>Total</b>	<b>46,251,580</b>	<b>41,593,377</b>

<b>(*) Claw-back</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
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	(211,988)	(2,116,418)
<b>Total</b>	<b>14,164,344</b>	<b>13,091,407</b>

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:**

<b>Company name</b>	<b>Nature of relation</b>	<b>Transaction type</b>	<b>Country of origin</b>	<b>Registered office</b>
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

**21. RELATED PARTY DISCLOSURES (continued)**

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

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

	<b>Balance as of 31 December 2023</b>	<b>Balance as of 31 December 2022</b>
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)
<b>Trade receivables from related parties</b>	<b>130,761,721</b>	<b>19,495,809</b>
Zentiva Group A.S. – advances paid	-	11,736,473
Zentiva K.S. – prepayments	1,137,881	-
<b>Total</b>	<b>131,899,602</b>	<b>31,232,281</b>
Al Sirona (Luxembourg) Acquisition S.à.r.l – cash pooling	<b>583,820,497</b>	<b>583,511,187</b>

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

	<b>Balance as of 31 December 2023</b>	<b>Balance as of 31 December 2022</b>
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
<b>Total</b>	<b>127,206,060</b>	<b>32,968,150</b>

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

➤ **Sales of goods and services**

	<b>Financial year ended at 31 December 2023</b>	<b>Financial year ended at 31 December 2022</b>
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
<b>Total</b>	<b>421,896,774</b>	<b>319,123,893</b>

**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**

	<b>Financial year ended at 31 December 2023</b>	<b>Financial year ended at 31 December 2022</b>
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
<b>Total</b>	<b>221,441,500</b>	<b>136,673,451</b>

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:

	<b>Financial year ended at 31 December 2023</b>	<b>Financial year ended at 31 December 2022</b>
Members of the Board of Directors	2,896,972	2,261,071
<b>Total</b>	<b>2,896,972</b>	<b>2,261,071</b>

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.

**ZENTIVA SA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the financial year concluded on 31 December 2023**  
*(all amounts are presented in RON, unless otherwise stated)*

**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):

<b>31 December 2023</b>	<b>EUR</b>	<b>USD</b>	<b>RON</b>	<b>CZK</b>	<b>GBP</b>	<b>Total</b>
Trade receivables and other receivables	21,200,843	-	388,487,449	-	-	<b>409,688,292</b>
Cash pooling intercompany receivable	20,665,215	-	563,155,282	-	-	<b>583,820,497</b>
Cash and cash equivalents	326,315	176,861	26,799,552	-	-	<b>27,302,728</b>
<b>Total assets (1)</b>	<b>42,192,373</b>	<b>176,861</b>	<b>978,442,283</b>	<b>-</b>	<b>-</b>	<b>1,020,811,517</b>
Trade payables – suppliers	76,637,275	11,909,926	122,440,313	1,409	-	<b>210,988,923</b>
Lease liabilities	21,155,608	-	-	-	-	<b>21,155,608</b>
<b>Total liabilities (2)</b>	<b>97,792,883</b>	<b>11,909,926</b>	<b>122,440,313</b>	<b>1,409</b>	<b>-</b>	<b>232,144,531</b>
<b>Difference (1)- (2)</b>	<b>(55,600,510)</b>	<b>(11,733,065)</b>	<b>856,001,970</b>	<b>(1,409)</b>	<b>-</b>	<b>788,666,986</b>

<b>31 December 2022</b>	<b>EUR</b>	<b>USD</b>	<b>RON</b>	<b>CZK</b>	<b>GBP</b>	<b>Total</b>
Trade receivables and other receivables	11,384,874	-	137,464,974	-	-	<b>148,849,848</b>
Cash pooling intercompany receivable	19,843,754	-	563,667,433	-	-	<b>583,511,187</b>
Cash and cash equivalents	159,573	105,443	10,925,662	-	-	<b>11,190,679</b>
<b>Total assets (1)</b>	<b>31,388,201</b>	<b>105,443</b>	<b>712,058,070</b>	<b>-</b>	<b>-</b>	<b>743,551,714</b>
Trade payables – suppliers	36,327,305	13,686,281	65,055,001	-	26,989	<b>115,095,577</b>
Lease liabilities	18,810,981	-	-	-	-	<b>18,810,981</b>
<b>Total liabilities (2)</b>	<b>55,138,286</b>	<b>13,686,281</b>	<b>65,055,001</b>	<b>-</b>	<b>26,989</b>	<b>133,906,558</b>
<b>Difference (1)- (2)</b>	<b>(23,750,085)</b>	<b>(13,580,838)</b>	<b>647,003,068</b>	<b>-</b>	<b>(26,989)</b>	<b>609,645,156</b>

**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:

	<b>Change in EUR rate (+10%) - Effect on profit before tax and equity</b>	<b>Change in USD rate (+10%) - Effect on profit before tax and equity</b>	<b>Change in CZK rate (+10%) - Effect on profit before tax and equity</b>
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:

<b>As of 31 December 2023</b>	<b>&lt;30 days</b>	<b>30 – 60 days</b>	<b>60 - 180 days</b>	<b>180 – 360 days</b>	<b>&gt;1 year</b>	<b>Total</b>
Trade payables	121,874,566	23,297,376	48,212,241	17,604,739	-	<b>210,988,923</b>
Lease liabilities	692,269	1,384,538	2,076,807	4,153,613	14,669,420	<b>22,976,647</b>
<b>Total liabilities</b>	<b>122,566,835</b>	<b>24,681,914</b>	<b>50,289,048</b>	<b>21,758,352</b>	<b>14,669,420</b>	<b>233,965,570</b>

For 2023 year the undiscounted payments of lease liabilities above 5 years are RON 640,166.

<b>As of 31 December 2022</b>	<b>&lt;30 days</b>	<b>30 – 60 days</b>	<b>60 - 180 days</b>	<b>180 – 360 days</b>	<b>&gt;1 year</b>	<b>Total</b>
Trade payables	103,375,560	1,742,620	9,977,397	-	-	<b>115,095,577</b>
Lease liabilities	584,040	717,206	2,155,047	3,246,615	13,009,696	<b>19,712,604</b>
<b>Total liabilities</b>	<b>103,959,600</b>	<b>2,459,825</b>	<b>12,132,444</b>	<b>3,246,615</b>	<b>13,009,696</b>	<b>134,808,181</b>

### **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

Signature  
Company stamp



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

Signature