Annual Report of the Board of Directors
for the financial year 2022

Reporting date: 31 December 2022

- **ZENTIVA S.A.**
- **Registered office:** Bd. Theodor Pallady nr.50, Bucharest
- **Phone / Fax:** 021.304.72.00, 021.304.75.00 / 021.345.40.04
- **No. and registration date with the Trade Registry Office:** J40/363/1991
- **Tax Identification Number:** RO 336206
- **Class, type, no. and main characteristics of securities:** 697,017,040 dematerialized class I shares;
- **Regulated market wherein trading is performed:** Bucharest Stock Exchange;
- **Market value:** RON 1,94 / share representing the reference price on the last trading day of 2022;

Market capitalization as at the 31 December 2022: RON 1,352,213,058.

1. STOCKS AND SHAREHOLDERS

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

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

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

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

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

In October 2005, Zentiva NV made a public offer regarding the purchase of the shares of issuer Sicomed SA, subsequently renamed as Zentiva SA, for the amount of RON 1.37 / share, during the period 9.11.2005 – 12.01.2006.

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

In August 2009, Sanofi-Aventis Europe made a public offer for the purchase of the shares of issuer Zentiva SA, for the amount of RON 0.7/share, during the period 12.08.2009 – 22.09.2009. Between 20.02.2018 and 5.04.2018, Sanofi-Aventis Europe, through Zentiva N.V., conducted a public purchase offer at a price of RON 3.50 per share, acquiring 48,216,352 shares, and reaching a shareholding of 93.2295% of the share capital of the Company.

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

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

Between 18.12.2018 – 11.01.2018, Zentiva Group a.s. conducted a mandatory public offer for purchase at a price of RON 3.7472 per share, acquiring 200,333 shares, and reaching a shareholding of 388,931,210 shares representing 93.2776% of the share capital of the Company.

Between 5.07.2019 – 5.08.2019 (subscription period), the Company performed the share capital increase by granting preference rights, by issuing 300,000,000 new shares, with a nominal value of RON 0.1 / share, which were offered for subscription to the shareholders recorded with the Shareholders Register of the Company held by Depozitarul Central SA, as at the registration date 16 May 2019. Following the subscriptions made, out of the total number of 300,000,000 new shares, 19,944,110 shares were not

1. SHARES AND SHAREHOLDERS (continued)

subscribed and were cancelled in accordance with the provisions of the decision of the Extraordinary General Meeting of the Shareholders of the Company dated 30 April 2019.

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

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

The synthetic shareholding structure as of 31 December 2022 remained identical to the one as of 31 December 2021, i.e,:

Shareholding structure	**31 December 2022 (%)**	**31 December 2021 (%)**
Zentiva Group a.s.*	95.9486	95.9486
Other minority shareholders	4.0514	4.0514
Total	**100**	**100**

Source: Depozitarul Central

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

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

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

The Company did not trade its own stocks during 2022.

The market capitalization of the Zentiva SA shares as at the 31 December 2022 amounted to RON 1,352,213,058 (2021: RON 1,700,721,578).

As of 31 December 2022, the price per share was RON 1.94 / share (2021: RON 2.44 / share).

As of 31 December 2022, the Company has net assets of RON 999,354,559 which represents more than 50% of the share capital of RON 69,701,704 (as of 31 December 2021, the Company had net assets of RON 890,772,593, representing more than 50% of the share capital of RON 69,701,704) which is in compliance with the requirements of Romanian Company Law (Law no. 31/1990, as amended and supplemented). As of 31 December 2022, the Company did not set a legal reserve. As of 31 December 2022, the level of legal reserves reached the threshold of 20% of the Company’s share capital, in accordance with the Companies Law.

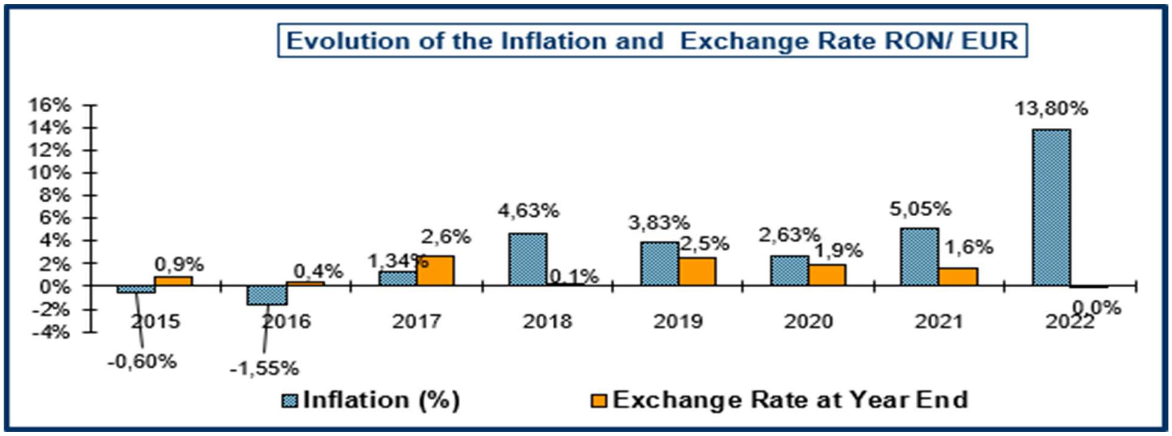
Company mergers and re-organizations

In 2022 the Company did not undergo any mergers or re-organizations.

2. ECONOMIC & FINANCIAL ENVIRONMENT

Evolution of the macroeconomic indicators in Romania

The inflation rate had significant fluctuations, from 0.9% in 2015, to 13.8% in 2022. In 2022, the national currency appreciated against the EUR by 0.01%, from RON / EUR 4.9481 at 31 December 2021 to RON / EUR 4.9474 at 31 December 2022.



Source: National Institute of Statistics and NBR

Pharmaceutical industry

The Romanian pharmaceutical market, including prescription-based and over-the-counter medicines, recorded in 2022 a growth rate of 21.0% (in value) versus the previous year, reaching the level of EUR 5.385 million (according to the sell-in information provided by the market research agency IQVIA in December 2022).

According to IQVIA, the Romanian generic medicines market grew also in 2022 by 18.9% (in value), reaching the level of EUR 1.002 million, according to IQVIA.

3. COMPANY'S ACTIVITY IN 2022

For 2022, ZENTIVA S.A. reports a turnover of MRON 759.6 being with 6.9% higher than the previous year and a net profit of MRON 99.5, 5.9% lower vs. prior period, mainly due to the increase in expenses with raw materials, merchandise, consumables an utilities and the increase in expenses with employees benefits.

In 2022, the achieved production volume was lower by 1.7 million commercial units than the 2021 production, representing a decrease of 1%.

The Company closed the year 2022 with a net profit of RON 99,465,204.

The most important achievements in 2022 were the following:

- Successful completion of the transfer of 6 more products for export, manufactured locally;
- Exports accounted for 56% of the achieved 2022 production volume (130.81 million manufactured commercial units both for the Romanian market, but also for other European markets - Germany, France, Italy, Czech Republic, Slovakia, etc.).
- Investments in total amount of RON 27.4 million (EUR 5.5 million) in new production equipment, laboratories and in upgrading the existing one.
- The 60 years anniversary of continuous activity of the Zentiva plant.

3. COMPANY’S ACTIVITY IN 2022 (continued)

3.1. Reporting base

As at the 31 December 2022, Zentiva SA prepared financial statements in accordance with Order of the Ministry of Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards applicable for companies whose securities are admitted to trading on a regulated market, with all the subsequent amendments and clarifications in force.

a. Sales – Volumes and amounts

The net turnover amounts to RON 759,630,870 as of 31 December 2022 (2021: RON 710,927,962).

The Zentiva’s average selling price (finished goods and merchandise) was RON 4.99 in 2022 and RON 4.69 in 2021. The increase in price is explained by a change in the mix of products because the weight of products for hospitals and chronic diseases significantly increased.

	2022	**2021**
Net revenue from sales of goods (million RON)	704.7	667.9
Sold quantity (million units)	141.1	142.4
Average selling price (RON / sold unit)	4.99	4.69

Source: Zentiva, Annual Financial Report

In 2022, exports accounted for 41.1% of total turnover (RON 312.3 million), compared to 40.8% in 2021 (RON 290.2 million). The export sales were made through Zentiva k.s. (part of Zentiva Group). The medicines were mainly intended for European Union markets.

The percentage of OTC (over the counter) products in Zentiva SA sales was 2.8% in 2022 versus 4.1% in the previous year.

The sales by types of products in 2021 – 2022 are presented below:

Product type	**2022**	**2021**
Ethical (Rx)	97.2%	95.9%
OTC	2.8%	4.1%

b. Operating expenses

Description	**Million RON**		**Variation**	
	2022	**2021**	**%**	**Mn RON**
Operating expenses, out of which:	**676.7**	**602.8**	**12%**	**73.8**
Raw materials, materials and merchandise (including consumables)	370.7	331.3	12%	39.4
Personnel benefit expenses	135.0	112.4	20%	22.6
Depreciation, amortization and provisions for tangible and intangible assets ;	30.3	25.4	19%	4.8
Other operating expenses (including marketing expenses and inventory movement)	140.6	133.6	5%	7.0
Turnover	**759.6**	**710.9**	**7%**	**48.7**
Other operating revenues	**3.4**	**7.9**	**(58)%**	**(4.6)**

3. COMPANY'S ACTIVITY IN 2022 (continued)

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

Personnel benefit expenses increased by 20% in 2022, i.e., by RON 22.6 million; the number of employees was 884 at the end of 2022 and 830 employees at the end of 2021. The increase in labor costs was influenced by the internalization of employees from an external workforce supplier, but also by the increase in the employee number and by the annual indexation of wages according to Company's policy.

Other operating expenses increased by RON 7.0 million compared to 2021, mainly due to the increase of marketing and advertising expenses.

Other operating revenues decreased by RON 4.6 million compared with previous year.

c. Cash availability

The Company's cash availabilities at the end of 2022 amounted to RON 11.2 million while as of 31 December 2021 were RON 62.6 million consisting mainly of: cash in banks and cash on hand.

d. Cash Pooling - Intercompany receivable

In 2022 and 2021 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.

In 2021 the Company has reassessed the purpose of the cash pooling deposits held at AI Sirona (Luxembourg) Acquisition SARL and has concluded that no longer holds them for short term cash management and that is now held to generate an investment return. Consequently, the Company has reclassified in 2021 the cash pooling balance from cash and cash equivalents to cash pooling intercompany receivable.

The total interest income for cash-pooling transactions during the year is in the amount of RON 31,614,121 (2021: interest income in the amount of RON 6,544,059) and is presented in Note 6.4 Financial income.

3.2. Portfolio of products and marketing market

The product portfolio of Zentiva SA includes 126 products for human use, as solids (tablets, capsules, and pellets) and injectable solutions.

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

3. COMPANY'S ACTIVITY IN 2022 (continued)

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

3.3. Selection policy for suppliers of raw materials

The policy of Zentiva SA is to permanently search for suppliers that deliver high quality raw materials.
The Quality Insurance Department assesses the potential producers and the existing ones on a permanent basis. Their focus is on the quality of documentation provided by them, which is necessary for authorization purposes and the quality of the supplied products, as well as the products behavior during the technological process.

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

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

According to the statistical data supplied by IQVIA, Zentiva had in 2022 an average producer price of RON 12.34* (+26.0% increase versus the average of RON 9.80 in 2021), ensuring patient accessibility to cost-effective medication.

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

As a reference, the average producer price for all medicines on local pharmaceutical market was of RON 35.12 in 2022 (+13.1% increase versus the average of RON 31.07 in 2021).

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

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

3.5. Information about personnel

As of 31 December 2022, Zentiva SA had 884 employees (31 December 2021: 830 employees).

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

3.6. Information about Company's environmental policy

The following regulatory documents related to environmental protection were applicable in 2022:

- Environmental Permit no. 234/7 May 2012, revised on 22.06.2021, with the mention that "The authorization maintains its validity for the entire period in which its beneficiary obtains the annual visa";
- Wastewater Collection Agreement no. 1521/31 August 2012, valid for an unlimited period of time;
- Water Management Authorization no. 205-B from 05.05.2022, valid until 30.04.2026.

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

3. COMPANY'S ACTIVITY IN 2022 (continued)

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

3.7. Research and development activity

The R&D expenses for 2022 were RON 3.6 million vs. RON 5.9 million in 2021 and consist in activities linked to the transfer of products. For 2023, R&D expenses are forecasted at RON 8.8 million.

3.8. Investment activity

In 2022, the Company investment expenses amounted RON 27.4 million. The objectives of the investment program, which will be continued in 2023 are to maintain the Good Manufacturing Practice Guidelines and update technologies in line with the international quality and environmental standards, and to extend the product portfolio and of new forms of packaging. The investments provided in the 2023 budget is RON 20.3 million (EUR 4.1 million).

In 2022, the financing of the investments programs was made exclusively from own sources.

4. COMPANY'S TANGIBLE ASSETS

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

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

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

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

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

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

4. COMPANY'S TANGIBLE ASSETS (continued)

Gross value and depreciation amount in 2022 comparing to year 2021 is the following:

PROPERTY, PLANT AND EQUIPMENT

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

	Land	Buildings	Machinery, tools and equipment	Constructions in progress	Total
Gross value 1 as of January 2021	**53,102,391**	**55,426,158**	**233,195,032**	**8,070,391**	**349,793,972**
Additions	-	-	-	20,920,339	**20,920,339**
Disposals	(436)	-	(6,818,983)		**(6,819,419)**
Transfers	-	3,163,070	20,018,275	(23,181,345)	**-**
Gross value as of 31 December 2021	**53,101,955**	**58,589,228**	**246,394,324**	**5,809,384**	**363,894,891**
Depreciation as of 1 January 2021	**402**	**-**	**(156,907,936)**	**(3,070,867)**	**(159,978,401)**
Depreciation in the year	(14,593)	(2,688,781)	(15,721,465)		**(18,424,839)**
Reversal of impairment				2,460,989	**2,460,989**
Disposals	-	-	6,818,983	-	**6,818,983**
Depreciation as of 31 December 2021	**(14,191)**	**(2,688,781)**	**(165,810,418)**	**(609,878)**	**(169,103,268)**
Net book value as of 31 December 2021	**53,087,764**	**55,900,447**	**80,583,906**	**5,199,506**	**194,771,623**

5. COMPANY'S MANAGEMENT

5.1. Board of Directors

As of 31 December 2022, the Board of Directors had the following composition:

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

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

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

Margareta Tanase
Member of the Board – Starting April 2010

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

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

Kenneth Lynard
Member of the Board – Starting October 2019

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

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

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

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

Kevin Joseph Clifford
Member of the Board – Starting November 2021

Born in 1968, Kevin currently holds the position of Director of Planning, Financial Analysis and Indirect Procurement for Zentiva Group, since July 2020.

In his career, Kevin has also held, among others: (i) the position of Deputy Group CFO in Affidea (February 2018 - April 2020, in Budapest, Hungary); (ii) the position of Chief Financial Officer of Central Europe / FP&A COE at Gilead Sciences (March 2013 - June 2015); and (iii) other management positions in other companies in various industries, such as healthcare, FMCG or retail.

5. COMPANY'S MANAGEMENT (continued)

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

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

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

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

5.2. Executive management

Executive management members as of 31 December 2022:

Simona Cocos - General Manager

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

Margareta Tanase - Industrial Affairs Director

She is the Industrial Affairs Director starting May 2008 and she is responsible with the management of the Company's Industrial Affairs and its corresponding departments.

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

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

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

6. FINANCIAL STATEMENT

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

Statement of Financial Position (RON)	31 December 2022	31 December 2021
Total non-current assets	272,322,135	243,866,284
Total inventories	173,060,231	124,563,136
Total trade receivables and related receivables	165,089,137	104,874,434
Cash and cash equivalents	11,190,679	62,597,628
Cash pooling intercompany receivable	583,511,187	513,704,034
Current liabilities	(174,185,032)	(141,572,127)
Total assets minus current liabilities	1,030,988,338	908,033,388
Total shareholders' equity	999,354,559	890,772,593

Statement of Comprehensive Income (RON)	1 January - 31 December 2022	1 January - 31 December 2021
Revenue	759,630,870	710,927,962
Other operating income	3,366,161	7,945,360
Operating expenses - Total	676,666,687	602,826,742
Operating profit / (loss)	86,330,344	116,046,580
Net profit / (loss)	99,465,204	105,745,554

The profit distribution for the financial year ended 31 December 2022 will be decided and approved in April 2023, when the General Meeting of Shareholders will take place.

7. COMPANY'S EXPOSURE TO RISKS

Price risk

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

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

The Company did not purchase own shares.

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

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.

7. COMPANY'S EXPOSURE TO RISKS (continued)

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 2022, 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 2022 and 2021).

Foreign 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 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.

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 2022 and 2021.

Credit risk

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

Trade receivables

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

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

The impairment indicators are analyzed at each reporting date.

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

7. COMPANY'S EXPOSURE TO RISKS (continued)

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.

8. OBJECTIVES FOR 2023

For 2023, our objective is to maintain our leadership in the healthcare field, focusing on identifying growth opportunities and on diversifying our business according to European quality standards; to secure an efficient and profitable organization. Also, we reaffirm our commitment to our customers and partners for delivering the same best possible services to our meeting the Romanian patients' needs to the same extent of involvement as before.

Our key priorities for 2023 are:

- To maintain the profitability of the local producer, in the context of an increase in costs for utilities, increase in costs for materials (raw materials, excipients, and packaging materials);
- To enhance the production capacity, by implementing the investment plan for 2022;
- To diversify and enhance Zentiva's presence on various markets through exports and transfer of new products that should be produced locally;
- To increase the volume sales of products on the local market;
- To strengthen our product portfolio through new launches.

9. INTERNAL CONTROL

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

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

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

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

Code of Ethics and adherence to local and international relevant laws	**The pharmaceutical industry is also subject to strict regulations at both national and international levels. The Company applies internal policies and standards derived from legal requirements.**
Well defined system of policies and procedures	Work requirements and clear definition of roles and responsibilities, and their communication to all stakeholders are critical. Well written procedures increase accountability and transparency and are fundamental to quality assurance and quality improvement programs implementation.
Delegations of authority and legal representation	Operations are correctly managed when legal representation, delegation and approval limits are clearly defined and known by all.
Segregation of duties	Segregation of duties helps ensuring that errors, irregularities or acts of fraud are prevented or detected early enough. Segregation of duties means that no single individual has control over two or more key phases of a process. Effective segregation is achieved by: • Assigning responsibilities in a manner consistent with the organizational sructure; • Cross-checking and supervision of high-risk transactions; • Implementing compensating controls when conflicts exist.
Fraud prevention and detection	Fraud prevention is one of the top priorities of internal control.
Training	All employees must have the relevant competencies to perform their role as well as understand the policies and procedures applicable to their responsibility. Trainings are developed in a way that promotes the awareness of all employees on internal control.
Periodical assessment and monitoring	On an annual basis an assessment of specific risks, activities and controls put in place by management is conducted in order to manage risks. Periodical monitoring is another tool used to test the effectiveness of the controls previously identified and assessed and potential deficiencies are addressed.

10. ANNUAL REPORT ON CORPORATE GOVERNANCE

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

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

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

General Shareholders Meeting

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

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

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

Convening and organization of the Shareholders General Meetings

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

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

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

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

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

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

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

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

10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

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

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

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

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

If the Meeting agenda includes the election of Board members, the applications for the position of members in the Company's Board of Directors may be submitted, according to Article 117^1 of Law no. 31/1990, as republished and subsequently amended and supplemented, at the Company's seat at the date mentioned in the convening notice, at the latest. A CV will be included for each nominated applicant, indicating at least the applicant's name, residence and professional qualification.

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

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

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

Shareholders questions

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

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

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

10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

Shareholders General Meetings main responsibilities

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

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

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

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

10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

The resolutions of the Shareholders General Meeting

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

Upon proposal of the Chairman of the General Meeting or of a group of attending shareholders (either personally or being represented) holding at least ¼ of the share capital, secret voting may be decided upon.

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

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

- upon the first convening: the shareholders accounting for at least ½ of the Company's share capital need to be present and the resolutions need to be passed based on the favorable vote of the shareholders holding the absolute majority of the share capital present or represented in the meeting;
- upon the second convening: resolutions can be passed regardless of the share in the capital present/represented in the meeting, based on the favorable vote of the majority of the share capital present or represented in the meeting.

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

- upon the first convening: shareholders accounting for at least ¾ of the share capital need to be present in the meeting, and resolutions need to be passed based on the favorable vote of the shareholders holding at least ½ of the share capital, except for the case provided in Article 8.1.5. of the Company Articles of Incorporation;
- upon the second convening: shareholders representing at least ½ of the share capital need to be present and decisions need to be passed based on the favorable vote of shareholders holding at least 1/3 of the share capital, which, in the case of the resolutions amending the company's main line of business, decreasing or increasing the share capital, changing the legal form, for merger, spin-off or dissolution of the Company, cannot be less than two thirds of the voting rights held by the shareholders present or represented in the Meeting.

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

Board of Directors

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

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

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

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

10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

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

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

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

The responsibilities of the Board of Directors

The Board of Directors has the following main responsibilities:

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

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

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

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

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

10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

In 2022, the structure of the Company's Board of Directors included 1 independent director out of a total of 5 directors.

The mandates of the current members of the Company's Board of Directors expire on March 21, 2023, these being granted in compliance with the legal regulations in force.

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

In 2022, the Board of Directors held 14 meetings, to which all 5 members attended – and passed decisions which allowed it to efficiently and effectively fulfil its duties. Thus, in its meetings, the Board of Directors thoroughly analyzed the financial results obtained during the reporting period and cumulatively since the beginning of the year, as well as the economic performance against the budget and the similar period of the previous year. On a case-by-case basis, the Board requested detailed explanations from the executive management with regard to the plans for increasing production efficiency, investment plans, provisions set, write-off of expired inventories, liquidity management, operating and general profitability of the activity. Further to the thorough analysis of the results for the period, the Board decided on the approval thereof for publication and submission with BVB.

Concerning the directors' remuneration policy, the remuneration of the members of the Board of Directors for the financial year 2022 was subject to the approval of the Ordinary Shareholders General Meeting convened on 28 April 2022, being determined at an aggregate maximum level. In 2022, the renumeration for the Board of Directors was: RON 2,261,071.

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

Non-executive directors (except the independent director) have a free mandate.

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

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

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

During 2021, the structure of the Audit Committee has changed. Thus, starting with December 10, 2021 the Audit Committee had the following structure:

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

10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

Executive Management – General Manager

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

The Company is represented and validly bound in relations with third parties by the General Manager. The General Manager has a general mandate for representing the Company before third parties.

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

The General Manager reports to the Board of Directors.

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

Executive Management - Industrial Operations Manager

The Board of Directors entrusted the management of the industrial activity to an Industrial Operations Manager, who is a member of the Board of Directors and reports to it. Starting September 2018, the Industrial Operations Manager concluded a management agreement with the Company, valid until the membership of the Board of Directors ceases.

Rights of holders of financial instruments

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

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

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

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

10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

Social and Environmental Responsibility

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

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

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

Code of Corporate Governance

The Company first adhered to the Code of Corporate Governance issued by the Bucharest Stock Exchange in 2010. In 2022, the Company continued to apply to a large extent the corporate governance principles provided by the Corporate Governance Code published by the Bucharest Stock Exchange on 22 September 2015, and where the Company deviates from the provisions of the Code, the "apply or explain" principle is applied, as shown below.

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

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

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

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

Code provisions	Complies	Does not comply or partially complies	Comments
B2 The audit committee should be chaired by an independent non-executive member.	X		The Audit Committee, regardless of its structure, is chaired by the independent non-executive director.
B3 Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.		X	The assessment of the internal control system is performed at Zentiva group level, based on the policies implemented at group level.
B4 The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.		X	All areas mentioned in the description of the recommendation are covered by the annual assessment performed by the dedicated country and group level internal control functions.
B5 The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.		X	The evaluation of conflicts of interest in transactions between the Company and the related parties is taken into account in the related internal documentation.
B6 The audit committee should evaluate the efficiency of the internal control system and risk management system.		X	The efficiency of the internal control and risk management systems is covered by the dedicated internal control function organized at group level.
B7 The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.		X	Application of statutory and generally accepted standards of internal auditing is monitored by the dedicated internal control function organized at group level.
B8 Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.		X	As a rule, the specific reports/ analyses performed by the relevant functions are communicated to the Board by the dedicated internal control function.
B9 No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	X		
B10 The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.		X	The Company applies transfer pricing policies in accordance with the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and local Romanian legislation. All significant transactions are assessed by internal local and group experts to make sure that they are in line with external transfer pricing guidelines and regulations and internal transfer pricing policies. The advice/support from established external advisors is sought where necessary. The compliance with transfer pricing regulations in force ensures that the prices used in intercompany transactions are based on the arm's length principle. With respect to determining the appropriate arm's length return/margin , external databases are used to determine the return/margin earned by companies with similar functions, risks and assets. Significant transactions with affiliates are supported by documentation and recorded in the financial records of the Company. The Company cannot make any comment about the auditor's

Code provisions	Complies	Does not comply or partially complies	Comments
			procedures. The Company prepares, in accordance with Law no. 24/2017 and Regulation no. 5/2018, reports regarding the significant transactions concluded during the relevant period. The report is subject to procedures undertaken by the Company external auditors on which a report is prepared and submitted with FSA and is available on the Company website.
B11 The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	X		The internal audits are carried out by an independent third-party entity.
B12 To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.		X	The relevant functions are not formally integrated in/ subordinate to the structure of Board of Directors, being separately organized at group level.
Section C – Fair Rewards and Motivation			
C1 The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.	X		The remuneration policy has been finalized, approved by the ordinary general meeting of shareholders and published on the Company's website. The remuneration of the members of the Board of Directors is subject to the approval of the Ordinary Shareholders General Meeting, being determined at an aggregate maximum level. The remuneration of the executive directors comprises a fixed monthly component and an annual bonus, while the remuneration of the independent director includes only a fixed monthly component, without other fixed or variable elements or components.
Section D – Building value through investors' relations			
D1 The company should have an Investor Relations function – indicating to the general public the person (s) responsible or the organizational unit. In addition to information required by legal provisions, the company should include on its website a section dedicated to Investor Relations, both in Romanian and English, with all relevant information of interest to investors, including:	X		The relevant information published on the dedicated Investor Relations section is disseminated also in English (i.e., the current reports, informative materials, resolutions of General Meetings). There is a designated person for investor relations.
D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures.	X		
D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions.		X	Information about the professional activity of the members of the Board is presented in the annual report and upon their nomination.
D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports).	X		
D.1.4. Information related to general meetings of shareholders.	X		

Code provisions	Complies	Does not comply or partially complies	Comments
D.1.5. Information on corporate events.	X		
D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request.	X		
D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	X		
D2 A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.		X	Adoption and dissemination of a policy for the annual distribution of dividends or of other benefits to the shareholders will be subject of assessment by the competent corporate bodies of the Company.
D3 A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.		X	Adoption and dissemination of a policy for the forecasts will be subject of assessment for the competent corporate bodies of the Company.
D4 The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	X		
D5 The external auditors should attend the shareholders' meetings when their reports are presented there.	X		
D6 The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	X		
D7 Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.		X	The accesses of consultants, experts, financial analysts or journalists in the Company Shareholders General Meeting will be allowed only upon prior invitation from the Chairman of the Board.
D8 The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	X		
D9 A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.		X	Organizing of such events will be assessed under the applicable internal principles.
D10 If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	X		

11. CONTINGENCIES

Legal claims

As of 31 December 2022, 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.
  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.

- The dispute with ANAF challenging the clawback tax, as well as the penalties calculated for the reviewed period Q4 2009 - Q3 2011. In 2016, following a tax review of the clawback tax for the period Q4 2009 - Q3 2011, ANAF issued a taxation decision in the amount of RON 18,457,107 RON (“Initial Decision”), representing the clawback difference and related penalties. During 2016, following the appeal filed by the Company, ANAF annulled the Initial Decision and ordered a review, during 2017, of this fiscal obligation for the period Q4 2009 - Q3 2011. Following this new investigation, ANAF issued a new taxation decision and decisions regarding the accessory payments, in a total amount of RON 8,355,860 (consisting of RON 3,672,966 as main debt and RON 4,682,894 as penalties) (“Second Decision”). The company also challenged the Second Decision. The appeal was dismissed by ANAF, and the Company filed an action in administrative court for the annulment of the Second Decision (respectively of the last taxation decision and the decisions regarding the accessory payments) and of the decision dismissing the appeal.
  On May 28, 2019, following an initial adjournment of the ruling, the court of first instance partially allowed the action filed by the Company, namely, the 3 heads of claim regarding the additionally determined clawback contribution and the related accessory payments were allowed by the court. Specifically, the court allowed the action (i) regarding the main debt in the amount of RON 3,672,966 and (ii) regarding the penalties requested for the total amount of RON 4,494,934 (the head of claim regarding the penalties in the amount of RON 187,960 being dismissed).
  This decision of the court has been appealed by both the Company and ANAF.
  On February 21, 2022, the High Court of Cassation and Justice allowed the appeal of the Company, annulling the decision regarding the accessories payment in amount of RON 187,960, which was the object of the head of the claim dismissed by the court of first instance. At the same time, the High Court also dismissed the appeals filed by ANAF. The decision of the High Court is final. Therefore, as of 31 December 2021, the Company considered this decision an adjusting subsequent event and reversed the remaining provision for claw back tax in amount of RON 3,672,966 – refer to Note 18.

- In August 2019, ALPHA TRANSCORD SRL filed, through its judicial administrator, a summons against the Company. The case, i.e., the file no. 25005/3/2019 has 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 and is in the procedural phase on the substance.
  The Claimant alleges the non-payment by the Company of certain due invoices related to the road transport services provided by the Claimant. As such, the Claimant requests the court to bind the Defendants, including the Company, (i) to pay the amount of RON 2,262,332.27 representing the amount of the invoices due related to the road transport services provided under the agreement signed between the parties and (ii) to pay the Claimant’s expenses related to the case.

11. CONTINGENCIES (continued)

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.
The court's solution is not final, it can be appealed within 30 days from the communication, which has not been received yet.

- In August 2022, the company Novartis AG filled a permanent injunction the Company, by which Novartis AG demanded Zentiva refrain from any act infringing the patent EP 3103448 for Gilenya® products. Specifically, Novartis AG requested Zentiva: (i) to cease any act of commercial exploitation of the product “Fingolimod Zentiva 0.5 mg” and other related products; (ii) to withdraw from the Romanian market all products/related products; (iii) to destroy all products/related products; (iv) to publish the court decision within the top three national newspapers (in terms of readership) and (v) to pay the costs related to the litigation.
  At the first hearing set on 13 December 2022, Novartis AG filed a modification request to amend their claim according to the limitation request they described in the statement of defense [i.e., Novartis requested the court (i) to take note that Novartis limits the patent RO/EP 3103448 by amending the claims for the purposes set out in the main application and in the statement of defense, (ii) to order the Romanian State Office for Inventions and Trademarks (”OSIM”) to publish the patent in the amended form, (iii) to reject Zentiva’s arguments and, accordingly, to dismiss the counterclaim for annulment as unfounded, and (iv) to oblige Zentiva to support the costs related to the litigation].
  At the hearing set on 14 February 2023, OSIM filed a statement of defense showing the procedural history of the patent and underlied that they would not present arguments regarding the merits of the patent, since it was issued by the European Patent Office (”EPO”). However, OSIM has asked the court to suspend the case until all proceedings relating to EP 448 are completed before the EPO. The next hearing was set by the court on April 18, 2023.

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

12. NON-FINANCIAL DECLARATION

In accordance with the legal provisions on disclosure of non-financial information, the Company will prepare a separate report that includes the information required to be included in the non-financial statement. This report will be published on the Company’s website on 30 June 2023.

13. GOING CONCERN

These financial statements have been prepared on a going concern basis which assumes that the Company will continue its activity in the foreseeable future. To evaluate the applicability of this assumption, the local management analyzed the forecasts of the future cash inflows.

As of 31 December 2022 the current assets of the Company exceed current liabilities by RON 758,666,203 (as of 31 December 2021, the current assets exceeded current liabilities by RON 664,167,105).

At the same date, the Company recorded a net profit for the year of RON 99,465,204 (2021: RON 105,745,554).

The Budget for 2023 prepared by the Company’s management and approved by the Board of Directors indicates positive cash flows from the operating activities.

13. GOING CONCERN (continued)

Mn RON	B2023
Revenues	856.4
Expenses	758.2
Operating income	**98.3**

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

14. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

➢ Changes in the Company's Board of Directors

Through the Board of Directors resolution no. 1, dated February 10, 2023, the following were decided:

- Acknowledges the resignation of Mr. Kevin Joseph Clifford from the position as member of the board of directors of the Company and from any other position held in the Company, (i.e., member of the audit committee, member of the remuneration committee), his mandate as member of the board of directors of the Company and from any other position in the Company being terminated on 10 February 2023, effective as of the date of this resolution.
- Approves the appointment as temporary member of the board of directors of the Company, until the number of members is completed/ the appointment of a permanent member by the Company's general meeting of the shareholders, with effect as of the date of this resolution, of Mr. Alin Briciu
- Approves the appointment of Mr. Alin Briciu as temporary member of the audit committee and of the remuneration committee of the Company, until the number of members of the board of directors is completed/ the appointment of a permanent member by the Company's general meeting of the shareholders, with effect as of the date of this resolution.

➢ The debts related to the factoring agreement concluded with Factofrance SA were fully paid in March 2023.

Simona Cocos
General Manager

Daniel Nitulescu
Chief Financial Officer

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

As of December 31, 2022

Company Name	
AL	Zentiva Pharma Albania sh.p.k
AT	Zentiva GmbH (*in liquidation*)
	HERBST Trading GmbH
BA	Zentiva Pharma d.o.o.
BG	Zentiva Pharma Bulgaria EOOD
	Alvogen Pharma Trading Europe EOOD
CY	ALVOGEN CYPRUS LIMITED
	RUTENGO INVESTMENTS LIMITED
CZ	Zentiva Group, a.s.
	Zentiva, k.s.
	Theramex Czech Republic s.r.o.
D	Zentiva Pharma GmbH
	Winthrop Arzneimittel GmbH
DK	Zentiva Denmark ApS
ES	Zentiva Spain, S.L.U.
F	Zentiva France
HR	Zentiva d.o.o.
HU	Zentiva HU Kft. (*in liquidation*)
	Rutengo Hungary Investments Kft.
	Zentiva Pharma Kft
CH	Helvepharm AG
IN	Zentiva Private Limited

IT	Zentiva Italia S.r.l.
LU	AI Sirona (Luxembourg) Acquisition S.à r.l.
	AI Excalibur (Luxembourg) S.à r.l.
	Alvogen IPco S.à r.l. *(in liquidation)*
	Alvogen Balkans Luxembourg S.à r.l.
M	Alvogen Malta Operations ROW Holdings Ltd.
	Alvogen Malta Operations (ROW) Ltd.
MK	Zentiva Pharma Macedonia DOOEL Skopje
NL	Zentiva Netherlands B.V.
PL	Zentiva Polska Sp.z.o.o.
PT	Zentiva Portugal, Lda
RO	SOLACIUM PHARMA S.R.L.
	BE WELL PHARMA S.R.L.
	LaborMed-Pharma SA
	Labormed Pharma Trading SRL
RS	Zentiva Pharma d.o.o
RU	Zentiva Pharma LLC
	Bittner Pharma LLC
SK	Zentiva, a.s.
	Zentiva International a.s.
SE	Zentiva Sweden AB
UA	Zentiva Ukraine LLC
UK	Zentiva Pharma UK Limited
	Creo Pharma Holdings Limited
	Creo Pharma Limited

LIST of legal entities that control the Company

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

The Company has no subsidiaries or entities under its controls.

Zentiva SA

Financial statements

FOR THE YEAR ENDED
31 December 2022

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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(amounts are expressed in RON, unless specified otherwise)

STATEMENT OF COMPREHENSIVE INCOME	Notes	2022 RON	2021 (restated)* RON
Revenue from sales of goods	5.1	704,706,902	667,941,876
Revenue from rendering of services	5.1	54,923,968	42,986,086
Revenue	**5.1**	**759,630,870**	**710,927,962**
Other operating income	6.1	3,366,161	7,945,360
Changes in inventories of finished goods and work in progress		9,170,800	14,624,923
Raw material expenses, merchandise, consumables used and utilities	5.2	(370,732,616)	(331,309,506)
Employee benefits expenses	6.5	(135,032,946)	(112,431,460)
Depreciation, amortization and impairment	9 - 11	(30,296,757)	(25,449,842)
Marketing and advertising expenses	6.6	(5,968,891)	(2,856,152)
Reversal of/ (expenses with) provisions	18,19	(3,205,975)	8,327,189
Other operating expenses	6.2	(140,600,303)	(153,731,894)
Operating profit		**86,330,344**	**116,046,580**
Financial Income	6.4	35,258,118	7,147,694
Financial Expenses	6.3	(6,603,544)	(3,983,908)
Profit before income tax		**114,984,918**	**119,210,366**
Income Tax Expense	7	(15,519,714)	(13,464,812)
Net profit for the year (A)		**99,465,204**	**105,745,554**
Other comprehensive income:			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Impact from revaluation of land and buildings	9.1	10,884,283	-
Deferred tax impact on revaluation recognized in equity	7.2	(1,741,485)	-
Other comprehensive income items	19	(26,037)	(337,035)
Other comprehensive income net of tax (B)		**9,116,761**	**(337,035)**
Comprehensive income for the year (A) + (B)		**108,581,965**	**105,408,519**
Net earnings per share (RON/share)	8	**0.14**	**0.15**

**The comparative amounts on December 31, 2021 have been reclassified in accordance with the presentation adopted in 2022, more details in Note 2.3.*

The financial statements from page 3 to page 59 were approved by the Board of Directors and were authorized to be issued in accordance with the resolution of the Directors dated 27 March 2023.

Administrator,
Simona Cocos

Signature
Company stamp

Prepared by,
Daniel Nitulescu
Chief Financial Officer

Signature

(amounts are expressed in RON, unless specified otherwise)

STATEMENT OF FINANCIAL POSITION	**Notes**	**31 December 2022**	**31 December 2021**
Assets			
Non-current assets			
Property, plant and equipment	9.1	212,594,512	194,771,621
Advances for equipment	9.1	5,907,878	-
Right-of-use assets	9.2	18,681,887	8,968,913
Goodwill	11	11,649,100	11,649,100
Customer relationships	11	20,374,470	23,823,680
Other intangible assets	10	3,114,287	4,652,969
Total Intangible assets		**35,137,857**	**40,125,749**
		272,322,135	**243,866,284**
Current assets			
Inventories	12	173,060,231	124,563,136
Trade receivables and other receivables	13	151,446,752	102,187,418
Advances and prepayments	13	13,642,385	2,687,016
Cash pooling intercompany receivables	15	583,511,187	513,704,034
Cash and cash equivalents	14	11,190,679	62,597,628
		932,851,234	**805,739,232**
Total assets		**1,205,173,370**	**1,049,605,515**
Equity			
Issued share capital	16	69,701,704	69,701,704
Share premium	16	24,964,506	24,964,506
Legal and other reserves	16	146,399,175	121,743,815
Revaluation reserve	16	67,069,892	57,927,094
Retained earnings	16	691,219,282	616,435,475
Total equity		**999,354,559**	**890,772,593**
Non-current liabilities			
Contract liability	5.1	4,282,372	-
Employee benefit liability	19	5,947,909	3,323,943
Deferred tax liability	7.2	7,138,545	7,166,077
Lease liabilities	9.2	12,999,385	5,293,658
Provisions	18	1,265,568	1,477,177
Total non-current liabilities		**31,633,780**	**17,260,795**
Current liabilities			
Contract liability	5.1	4,070,598	-
Trade payables and other payables	20	115,095,577	98,292,133
Income taxes payable	7.1	3,028,357	938,975
Short-term lease liabilities	9.2	5,811,596	4,060,128
Other current liabilities	20	41,593,377	34,697,081
Short-term provisions	18	4,585,527	3,583,810
Total current liabilities		**174,185,032**	**141,572,127**
Total liabilities		**205,818,811**	**158,832,922**
Total liabilities and equity		**1,205,173,370**	**1,049,605,515**

The financial statements from page 3 to page 59 were approved by the Board of Directors and were authorized to be issued in accordance with the resolution of the Administrators dated 27 March 2023.

Administrator,	**Prepared by,**
Simona Cocos	Daniel Nitulescu
	Chief Financial Officer
Signature	Signature

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

The financial statements from page 3 to page 59 were approved by the Board of Directors and were authorized to be issued in accordance with the resolution of the Directors dated 27 March 2023.

Administrator,
Simona Cocos

Signature
Company stamp

Prepared by
Daniel Nitulescu
Chief Financial Officer

Signature

(amounts are expressed in RON, unless specified otherwise)

STATEMENT OF CHANGES IN SHAREHOLDRES EQUITY

2021

	Share capital	Share premium	Legal and other reserves	Revaluation reserve	Retained earnings	Total
Opening balance at 1 January 2021	**69,701,704**	**24,964,506**	**118,346,486**	**57,927,094**	**514,424,285**	**785,364,075**
Profit for the year	-	-	-	-	105,745,554	105,745,554
Other comprehensive income	-	-	-	-	*(337,035)*	*(337,035)*
Total other comprehensive income	-	-	-	-	***(337,035)***	***(337,035)***
Total comprehensive income	-	-	-	-	**105,408,519**	**105,408,519**
Reserve for reinvested profit	-	-	3,397,329	-	(3,397,329)	-
Closing balance at 31 December 2021	**69,701,704**	**24,964,506**	**121,743,815**	**57,927,094**	**616,435,475**	**890,772,593**

The financial statements from page 3 to page 59 were approved by the Board of Directors and were authorized to be issued in accordance with the resolution of the Directors dated 27 March 2023.

Administrator,
Simona Cocos

Signature
Company stamp

Prepared by
Daniel Nitulescu
Chief Financial Officer

Signature

(amounts are expressed in RON, unless specified otherwise)

STATEMENT OF CASH FLOWS	**Note**	**31 December 2022**	**31 December 2021**
Cash flows from operating activities:			
Profit before tax		114,984,918	119,210,366
Depreciation and amortization	9,10,11	30,893,505	27,910,831
Impairment on property, plant and equipment	9.1	-	(2,460,989)
Reevaluation impact on property, plant and equipment		(596,748)	-
Allowance for trade and other receivables, advances and prepayments	13,15	(1,823,546)	(1,928,553)
Inventory allowance movement	12	(9,351,919)	(384,788)
Movements in provisions for risks and charges	18	790,168	(8,327,189)
(Gain)/loss on sale of non-current assets	6.1	28,423	42,686
Write off of old advances paid to suppliers and trade payables, net		(212,678)	2,962,915
Write off of dividends	6.1	-	(6,276,644)
Interest revenues	6.4	(31,614,121)	(6,544,059)
Interest expenses	6.3	437,136	245,739
Operating profit before working capital changes		**103,535,137**	**124,450,315**
Change in inventories		(39,145,176)	13,620,006
Change in trade, other receivable and advances		(63,228,667)	144,380,157
Change in trade and other payable		35,066,115	(71,631,105)
Interest paid		(437,136)	(245,739)
Cash generated from operating activities		**35,790,274**	**210,573,634**
Income tax paid	7.1	(15,199,349)	(19,935,360)
Net cash from operating activities		**20,590,925**	**190,638,274**
Cash flows from investing activities			
Proceeds from sale of non-current assets		-	2,272
Purchase of property, plant and equipment and intangible assets	9.1,10	(27,415,096)	(22,905,852)
Cash pooling movement		(70,877,522)	-
Interest received		31,614,121	6,544,059
Net cash used in investing activities		**(66,678,496)**	**(16,359,521)**
Cash flows from financing activities			
Dividends paid		-	(5,110)
Lease payments	9.2	(5,319,378)	(4,865,515)
Net cash used in financing activities		**(5,319,378)**	**(4,690,625)**
Net increase (decrease) in cash and cash equivalents		(51,406,949)	169,686,095
Reclassification of cash pooling intercompany receivable	15	-	(513,704,034)
Cash at the beginning of the period 1 January		**62,597,628**	**406,713,534**
Cash at the end of the period 31 December		**11,190,679**	**62,597,628**

The financial statements from page 3 to page 59 were approved by the Board of Directors and were authorized to be issued in accordance with the resolution of the Directors dated 27 March 2023.

Administrator,	**Prepared by,**
Simona Cocos	Daniel Nitulescu
	Chief Financial Officer
Signature	Signature
Company stamp	

1. INFORMATION ABOUT THE COMPANY

These financial statements of Zentiva SA (the "Company") for the year ended on 31 December 2022 are authorized for publication in accordance with the Board of Directors' Decision dated 27 March 2023.

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 2022. The Company is part of a group and is at its turn consolidated in the Group's Financial Statements, the consolidated parent company being AI Sirona (Luxembourg) Acquisition S.a.r.l.

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 form 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 2022, current assets of the Company exceed current liabilities by RON 758,666,203 (as of 31 December 2021 current assets exceeded current liabilities by RON 664,167,105). At the same date, the Company recorded a profit for the year of RON 99,465,204 (2021: RON 105,745,554).

The budget prepared by the management of the Company for the year 2023, 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. 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 significant accounting policies

The following are the significant 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 2022 were RON / EUR 4,9474 and RON / USD 4,6346. The exchange rates as of 31 December 2021 were RON / EUR 4.9481 and RON / USD 4.3707.

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, return of dividends, etc.

- **Interest income**

The income from the interest generated by a financial asset is recognized when it is probable that the Company will obtain economic benefits and when that revenue can be measured in a reliable way. 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 net 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and 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)

The Company contracted an independent valuation specialist to determine the fair value as at 31 December 2022.

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 depreciation is calculated using the straight-line or reducing balance over the whole useful life of the asset.

The land is not depreciated.

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

	Years
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.

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:

	Years
Buildings	3 – 50
Machinery, tools and equipment	4

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, 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 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” .

	Years
Software	3
Research and development costs	3
Customer relationship	10

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized.

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.

Following initial recognition of the development expenditures of an asset, the cost-based model is applied, under which the assets are carried at cost less any accumulated amortization and accumulated impairment losses. The amortization of the intangible begins when the development is complete and the asset is available for use. It is amortized over the period of the expected future benefit. The amortization is recognized in the profit or loss, under the line “Depreciation, amortization and impairment”. During the development period, the asset is tested for impairment annually.

Patents, licenses, trademarks

Patents, licenses, trademarks are recognized as intangible assets and are measured according to the useful life (finite – is amortized, indefinite – is tested for impairment).

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) of the group 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). Subsequent to initial recognition, intangible assets acquired in a business combination are disclosed at cost less accumulated amortization and accumulated impairment losses on the same basis as intangible assets that are acquired separately.

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 form 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

Initial recognition and measurement

Financial assets are classified, on their initial recognition, for the purpose of their subsequent measurement, at amortized cost, fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets on initial recognition depends on the characteristics of the financial assets contractual cash flows and the company’s business model for managing them. 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, in the case of a financial asset not at fair value through profit or loss, 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 the IFRS 15.

For the classification and measurement of a financial asset at amortized cost or at fair value through other comprehensive income, it needs to give rise to cash flows that are “solely payment of principal and interest (SPPI)” in relation to the principal amount outstanding. This assessment is referred to as the SSPI test and is carried out at instrument level.

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

The Company's business model for managing financial assets refers to how the Company manages its financial assets in order to generate cash flows. The business model determines whether the cash flows will arise from the collection of contractual cash flows, the sale of financial assets or from both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized at the date of the transaction, i.e., the date on which the Company commits to purchase or sell the asset.

Subsequent assessment

For the purposes of subsequent measurement, the assets are classified in four categories:

- Financial assets at amortized cost (debt securities);
- Financial assets measured at fair value through other comprehensive income with recognition of cumulative gains and losses (debt securities);
- Financial assets designated at fair value through OCI, without recycling cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt securities)

This category is the most relevant for the Company. The Company measures financial assets at amortized cost if both conditions below are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect the contractual treasury flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

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. The financial assets of the Company are represented by loans, trade receivables and other receivables, cash and cash equivalents.

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.
- The Company has transferred its rights to receive cash flows arising from the asset or has assumed an obligation to pay the cash flows received in full, without material delays, to a third party a pass-through arrangement; and (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has not transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has not transferred nor retained substantially all the risks and rewards of the asset, nor has transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in that asset. In this case, the Company also recognizes an associated liability.
- The asset transferred and associated debt are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement in the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Company could be required to repay.

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

2) Impairment of financial assets

The Company recognizes a provision for expected credit losses (ECLs) for all loans and other debt instruments that are not held at fair value through profit or loss. 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 expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are an integral part of the contractual clauses.

The expected losses are recognized in two stages. For credit exposures (i.e., receivables to related parties under the cash pooling program) for which there has been no significant increase in credit risk since initial recognition, expected losses are recognized for credit losses arising from possible default events within the next 12 months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a provision is required for expected credit losses over the remaining lifetime of the exposure, regardless of the time of default (lifetime expected credit losses).

For trade receivables and contract assets, the Company applies a simplified approach in calculating expected losses (ECLs). Therefore, 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

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and credits or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities on initial recognition.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and credits

After initial recognition, interest-bearing loans are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized and as well as during the effective interest rate amortization.

Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that form an integral part of the effective interest rate. Amortization at the effective interest rate is included in the profit or loss under financing costs.

Derecognition

A financial liability is derecognized when the debt liability is discharged, cancelled or expires. When an existing financial liability is replaced by another debt from the same lender on substantially different terms or the terms of an existing liability change substantially, such exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability. The difference in the respective carrying amounts is recognized in the profit or loss.

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

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.

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.

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

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. 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.

Litigation provisions

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

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

- **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.

At the date of retirement, retraces 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.

(amounts are expressed in RON, unless specified otherwise)

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

- **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.

2.3 Changes in presentation

The following changes in presentation are included in the current year’s financial statements due to more accurate presentation in accordance with IFRS requirements, as well as being more relevant information about the statement of comprehensive income given the completion of business restructuring and integration process completed by Zentiva Group including in relation with Zentiva Romania. Due to completion of the business restructuring, the Company considers that presentation of the services under Revenues from rendering of services line reflects better their nature going forward. For comparison purposes, a reclassification was made for previous year`s amounts.

Change in statement of **Statement of comprehensive income** presentation:

		Reported as of	**Change in presentation**	**Impact**
	Note	**31-Dec-2021**	**31-Dec-2021**	**2021 changed Vs previous reported**
Revenue from rendering of services	**5.1**	14,614,557	42,986,086	28.371.529
Other income	**5.1**	1,308,831	-	(1,308,831)
Other operating income	**6.1**	35,008,058	7,945,360	(27,062,698)

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 reassessed in 2021 the purpose of the cash pooling deposits held at AI Sirona (Luxembourg) Acquisition SARL and has concluded that no longer holds them for short term cash management and that is now held to generate an investment return. Consequently, the Company has reclassified in 2021 the cash pooling balance from cash and cash equivalents to cash pooling intercompany receivable (see Note 15). In accordance with the provisions of the cash pooling agreement at any time the Company may, by thirty days prior notice to the treasury group entity, request payment of the credit balance maintained and therefore the Company's management have assessed that the presentation as short term is appropriate. The reclassification in 2021 out of cash and cash equivalents appears as a reconciling item in the cash flow statement.

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.

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

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.

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.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The recoverable amount of the recognized goodwill and customer relationships is determined based on a discounted cash flow method within the income approach, using future cash flows estimated by the management and management’s assumptions, namely: growth rate, perpetuity growth rate, operating margin and discount rate. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 11.

4. STANDARDS, AMENDMENTS AND NEW INTERPRETATIONS OF STANDARDS

4.1 New modifications brought in the accounting policies starting with 1 January 2022

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 2022:

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**
  The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:
  - **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly changing the accounting requirements for business combinations.
  - **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes such sales proceeds and related cost in profit or loss.
  - **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.
  - **Annual Improvements 2018-2020** make minor amendments to **IFRS 1 First-time Adoption of International Financial Reporting Standards**, **IFRS 9 Financial Instruments**, **IAS 41 Agriculture** and the Illustrative Examples accompanying **IFRS 16 Leases.**

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

- **IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**
  The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

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

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

4.2 New standards, modifications and interpretations issued, but not yet effective for the financial exercise starting 1st of January 2022 and not early adopted

The standards and interpretations that are issued, but are not effective, 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.

- **IFRS 17: Insurance Contracts**
  The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. The company/group 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 or 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 with earlier application permitted. 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 that the application of these changes has no impact on the Company's financial position or performance.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**
  The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. Management has assessed that the application of these changes has no impact on the Company's financial position or performance.

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**
  The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. Management has assessed that the application of these changes has no impact on the Company's financial position or performance.

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

- **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. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU. Management has assessed that the application of these changes has no 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. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments have not yet been endorsed by the EU. Management has assessed that the application of these changes has no 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**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed that the application of these changes has no impact on the Company's financial position or performance.

(amounts are expressed in RON, unless specified otherwise)

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

5.1 Revenues

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

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

The Company monitors the sales transactions, considering the domestic and external sales.

	1 January - 31 December 2022	**1 January - 31 December 2021**
Sales – domestic	447,289,671	420,702,760
Sales – external*	312,341,199	290,225,202
Total revenue	**759,630,870**	**710,927,962**
Sales of goods, including:	**704,706,902**	**667,941,876**
Sales of finished goods	638,559,594	601,119,607
Sales of merchandise**	112,140,202	106,129,832
Residual products	2,506,862	2,460,583
Claw back tax	(48,499,755)	(42,768,146)
Revenue from rendering of services	**54,923,968**	**42,986,086**
Total revenue	**759,630,870**	**710,927,962**

*External sales are represented mainly by exports to Czech Republic.

** In 2021 the amount of RON 223,070,363 was reclassified from sales of merchandise into sales of finished goods

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.

(amounts are expressed in RON, unless specified otherwise)

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

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.

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.

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 (former Alvogen Romania SRL), Zentiva Group AS, and Solacium Pharma SRL, which are generally services related to the commercial activity of the Group, advertising of generic products and support services for the Headquarter, that were presented in 2021 in “Other operating income”.- see paragraph 2.3 Change in presentation

Contract liabilities in amount of 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. The Company will recognize the revenue as products are delivered to the client, which is expected to occur over a period of three years.

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

	Notes	1 January - 31 December 2022	1 January - 31 December 2021
Raw materials	a	187,153,558	168,446,434
Merchandise		78,835,616	77,080,113
Packaging materials	b	56,476,312	53,976,186
Auxiliary materials	c	15,340,124	11,998,682
Utilities	d	24,655,006	12,034,010
Other material expenses	e	8,272,000	7,774,081
Total		**370,732,616**	**331,309,506**

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.

(amounts are expressed in RON, unless specified otherwise)

6. OTHER INCOME / OTHER EXPENSES AND ADJUSTMENTS

6.1 Other operating income

Other operating income	1 January – 31 December 2022	1 January – 31 December 2021
Gain/ (loss) from disposal of non-current assets	28,423	2,272
Other operating income	3,337,738	7,943,088
Total	**3,366,161**	**7,945,360**

In 2021, Other operating income - contains prescribed dividends in amount of RON 6,276,644, registered following the Decision of the Ordinary General Meeting of Zentiva Shareholders of 28 April 2021 which established the prescription of the right to request the payment of dividends for the years 2015 - 2016.

6.2 Other operating expenses

Other operating expenses	1 January – 31 December 2022	1 January – 31 December 2021
Support services received from Zentiva Group	61,158,451	72,506,575
Repairs	8,586,843	8,885,341
Royalties – Zentiva trademark	5,551,218	3,736,397
Travel expenses	2,033,818	1,197,601
Write-off of inventories	15,839,464	15,776,629
Taxes, registration fees	4,020,059	4,778,292
Professional fees	1,485,909	689,022
Other expenses	53,100,005	48,475,378
Net allowance for inventories	(9,351,919)	(384,788)
Net allowance for receivables and other receivables	(1,823,546)	(1,928,553)
Total	**140,600,303**	**153,731,894**

The expenses with support services from the Group include a large variety of services (see below) and have decreased in 2022 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.

(amounts are expressed in RON, unless specified otherwise)

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

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 2022	1 January – 31 December 2021
Freight costs on sales	6,623,228	6,885,899
External salesforce	5,114,707	8,810,258
Distribution and external storage costs	2,361,793	971,335
Telecommunication expenses	483,416	617,881
Cleaning expenses	1,991,874	1,854,582
IT projects consultant fees	3,964,108	2,651,554
Intercompany technical support expenses	1,425,913	844,881
Events – travel and accommodation	3,573,837	1,962,912
Speaker fees	2,074,888	1,825,509
Site facility management & services	1,185,888	1,350,409
Fines and penalties	717,352	265,296
Write-off expenses	(212,678)	2,962,915
Other expenses	9,729,336	11,290,730
Bank commissions - factoring	14,066,344	6,181,218
Total Other Expenses	**53,100,005**	**48,475,378**

6.3 Financial expenses

Financial expenses	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange differences expense	6,166,409	3,738,169
Interest expenses	437,136	245,739
Total	**6,603,544**	**3,983,908**

6.4 Finance Income

Financial Income	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange differences gain	3,643,997	603,635
Interest income	31,614,121	6,544,059
Total	**35,258,118**	**7,147,694**

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

(amounts are expressed in RON, unless specified otherwise)

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

6.5 Employee benefits expenses

Employee benefits expenses	1 January - 31 December 2022	1 January - 31 December 2021
Wages and salaries	123,672,296	102,946,103
Social security costs	5,831,991	4,268,083
Post-employment benefits and other long-term benefits - net impact (Note 19)	174,393	224,421
Other short-term benefits (*)	5,354,266	4,992,853
Total	**135,032,946**	**112,431,460**

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

6.6 Marketing and advertising expense

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

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

7. CURRENT TAX AND DEFERRED TAX

Income tax expense	1 January - 31 December 2022	1 January - 31 December 2021
Current income tax	17,288,731	14,007,295
Deferred tax (7.2 / expense (income)	(1,769,017)	(542,483)
Total	**15,519,714**	**13,464,812**

7.1 Income tax - current

The main components of corporate tax expense and the reconciliation between tax expense, accounting profit and tax profit for the year ended 31 December 2022 and 2021 are:

Tax reconciliation	1 January - 31 December 2022	1 January - 31 December 2021
Profit before income taxes	**114,984,918**	**119,210,366**
Income tax calculated at the tax rate applicable in Romania of 16%	18,397,587	19,073,659
Non-taxable income	(818,083)	(1,403,832)
Non-deductible expenses for tax calculation	1,510,601	731,455
Fiscal credit	(3,570,390)	(4,936,470)
Income tax expenses reported in profit or loss	**15,519,714**	**13,464,812**

(amounts are expressed in RON, unless specified otherwise)

7. CURRENT INCOME TAX AND DEFERRED (continued)

In 2022, the fiscal credit includes amounts from sponsorships, reinvested profit as well as capital adjustment incentive calculated according to Government Ordinance no. 153/2020.

Movement in the current income tax during the year	**1 January – 31 December 2022**	**1 January – 31 December 2021**
Balance on 1 January	**938,975**	**6,867,041**
Income tax expenses for the current year	17,288,731	14,007,295
Income tax paid during the year	(15,199,349)	(19,935,359)
Balance at 31 December	**3,028,357**	**938,975**

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 2022**	**31 December 2021**	**Movement in profit or loss / other comprehensive income 2022**	**2021**
Deferred tax assets				
Employee benefit liabilities	951,655	531,831	419,835	(62,013)
Allowances and provisions	1,924,272	2,813,961	(889,689)	(590,621)
Other intangible assets	-	-	-	(3,742)
Accrual for employee bonuses and for leaves not taken	2,339,358	1,796,973	542,385	(97,809)
Total (a)	**5,215,295**	**5,142,765**	**72,530**	**(754,184)**
Deferred tax liabilities				
Property, plant and equipment and intangible assets	(10,612,354)	(12,308,841)	1,696,486	1,215,230
Current year increase of revaluation – land and buildings	(1,741,485)	-	(1,741,485)	-
Total (b)	**(12,353,840)**	**(12,308,841)**	**(44,999)**	**1,215,230**
Net deferred tax (a) - (b)	**(7,138,544)**	**(7,166,076)**	**27,532**	**461,045**

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:

	2022	**2021**
Deferred tax		
Recognized in profit or loss (7.1)	(1,769,017)	(542,483)
Recognized in other comprehensive income	1,741,485	81,438
Total	**(27,532)**	**(461,045)**

(amounts are expressed in RON, unless specified otherwise)

8. EARNINGS PER SHARE

The number of shares related to the period ended on 31 December 2022 and 31 December 2021 is 697,017,040 which generated 0.14 RON / share (2021: 0.15 RON / share).

	31 December 2022	**31 December 2021**
Profit attributable to ordinary equity holders	99,465,204	105,745,554
Number of ordinary shares	697,017,040	697,017,040
Earnings per share, basic and diluted (RON/share)	**0.14**	**0.15**

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**
Gross value 1 as of January 2022	**53,101,955**	**58,589,228**	**246,394,324**	**5,809,384**	**363,894,891**
Additions	-	-	-	27,109,730	**27,109,730**
Impact through revaluation reserve	5,137,903	5,746,380	-	-	**10,884,283**
Impact from revaluation in profit and loss	-	596,748	-	-	**596,748**
Cancelled depreciation upon reevaluation	(251,261)	(8,411,308)	-	-	**(8,662,569)**
Disposals	(229)	-	(10,896,206)	-	**(10,896,435)**
Transfers	-	329,048	7,747,618	(8,076,666)	**-**
Gross value as of 31 December 2022	**57,988,369**	**56,850,095**	**243,245,736**	**24,842,447**	**382,926,649**
Depreciation as of 1 January 2022	**(14,191)**	**(2,688,781)**	**(165,810,418)**	**(609,878)**	**(169,103,268)**
Depreciation in the year	(237,069)	(5,722,527)	(14,926,955)	-	**(20,886,552)**
Cancelled depreciation upon reevaluation	251,261	8,411,308	-	-	**8,662,569**
Other movements	-	-	125,195	-	**125,195**
Disposals	-	-	10,889,920	-	**10,889,920**
Depreciation as of 31 December 2022	**-**	**-**	**(169,722,258)**	**(609,878)**	**(170,332,137)**
Net book value as of 31 December 2022	**57,988,369**	**56,850,095**	**73,523,478**	**24,232,570**	**212,594,512**

	Land	**Buildings**	**Machinery, tools and equipment**	**Constructions in progress**	**Total**
Gross value 1 as of January 2021	**53,102,391**	**55,426,158**	**233,195,032**	**8,070,391**	**349,793,972**
Additions	-	-	-	20,920,339	**20,920,339**
Disposals	(436)	-	(6,818,983)		**(6,819,419)**
Transfers	-	3,163,070	20,018,275	(23,181,345)	**-**
Gross value as of 31 December 2021	**53,101,955**	**58,589,228**	**246,394,324**	**5,809,384**	**363,894,891**
Depreciation as of 1 January 2021	**402**	**-**	**(156,907,936)**	**(3,070,867)**	**(159,978,401)**
Depreciation in the year	(14,593)	(2,688,781)	(15,721,465)		**(18,424,839)**
Reversal of impairment	-	-	-	2,460,989	**2,460,989**
Disposals	-	-	6,818,983	-	**6,818,983**
Depreciation as of 31 December 2021	**(14,191)**	**(2,688,781)**	**(165,810,418)**	**(609,878)**	**(169,123,268)**
Net book value as of 31 December 2021	**53,087,764**	**55,900,447**	**80,583,906**	**5,199,506**	**194,771,623**

The value of fully depreciated assets as of 31 December 2022 is RON 125,080,879 (2021: RON 129,267,821).

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 is 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 is 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), indicates an interval of RON 108,1m - RON 121,1m.

(amounts are expressed in RON, unless specified otherwise)

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

Construction in progress and downpayments

Construction in progress as of 31 December 2022 are in amount of RON 24,232,570 (2021: RON 5,199,506) 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 2023.

At 31 December 2022 and 31 December 2021, 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 2022 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 8,076,666 (2021: RON 23,181,345).

As at 31 December 2022, the company has paid advances for equipment in amount of RON 5,907,878 (2021: RON 0).

9.2 RIGHT-OF-USE ASSETS

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

	Buildings	Machinery Tools and Equipment	Total
Net book value as of 1 January 2021	**1,348,712**	**4,160,692**	**5,509,404**
Additions during the year	902,229	7,089,822	**7,992,051**
Disposals	-	(44,518)	**(44,518)**
Depreciation in the year	(1,466,294)	(3,021,729)	**(4,488,023)**
Net book value as of 31 December 2021	**784,647**	**8,184,266**	**8,968,913**

The Company recognized as “Right-of-use assets” the following categories:

- Car leasing for the Company’s personnel;
- The lease of a packing line;
- The lease contract for the storage premises owned by FM Logistic;
- The lease agreement for IT equipment.

(amounts are expressed in RON, unless specified otherwise)

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

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.

The table below shows the carrying amount of the lease liability and movements in this category during the financial year 2022 and respectively 2021:

	2022	2021
As of 1 January	**9,323,786**	**5,763,825**
Additions during the period	14,735,849	7,992,051
Interest on the lease liability	252,616	89,947
Early termination of car leases	(63,070)	(46,794)
Lease payments	(5,319,378)	(4,685,515)
Interest paid	(252,616)	(89,847)
Forex impact	133,794	300,119
As of 31 December	**18,810,981**	**9,323,786**
Out of which:		
Long term lease liability	**5,811,596**	**5,293,658**
Short term lease liability	**12,999,385**	**4,060,128**

The following expenses represent the amounts recognized in the Statement of Comprehensive Income in relation to leases in 2022 and respectively in 2021:

	2022	2021
Depreciation of right-of-use assets	5,315,835	4,488,023
Interest expense on the lease liability	252,616	89,947
Total expenses recognized in the Statement of Comprehensive Income	**5,568,451**	**4,577,970**

(amounts are expressed in RON, unless specified otherwise)

10. INTANGIBLE ASSETS

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

	Development costs	Other intangible assets	Intangibles in progress	Total
Costs at 1 January 2021	**63,532**	**8,024,174**	**546,866**	**8,634,572**
Additions	-	-	1,985,513	**1,985,513**
Disposals	(63,532)	-	-	**(63,532)**
Transfers	-	2,486,880	(2,486,880)	**-**
Costs at 31 December 2021	**-**	**10,511,054**	**45,499**	**10,556,553**
Amortization and impairment at 1 January 2021	**(63,532)**	**(4,642,261)**	**-**	**(4,705,793)**
Amortization in the year	-	(1,261,323)	-	**(1,261,323)**
Disposals	63,532	-	-	**63,532**
Amortization and impairment at 31 December 2021	**-**	**(5,903,584)**	**-**	**(5,903,584)**
Net value at 31 December 2021	**-**	**4,607,470**	**45,499**	**4,652,969**

11. GOODWILL AND CUSTOMER RELATIONSHIPS

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

11. GOODWILL AND CUSTOMER RELATIONSHIPS (continued)

	Goodwill	Customer relationships	Total
Cost at 1 January 2021	**11,649,100**	**34,492,101**	**46,141,201**
Additions	-	-	**-**
Disposals	-	-	**-**
Transfers	-	-	**-**
Cost at 31 December 2021	**11,649,100**	**34,492,101**	**46,141,201**
Amortization and impairment at 1 January 2021	**-**	**(6,931,776)**	**(6,931,776)**
Amortization in the year	-	(3,736,645)	**(3,736,645)**
Disposals	-	-	**-**
Amortization and impairment at 31 December 2021	**-**	**(10,668,421)**	**(10,668,421)**
Net value at 31 December 2021	**11,649,100**	**23,823,680**	**35,472,780**

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

The Company performed an impairment testing on goodwill and customer relationships as of 31 December 2022 and respectively as of 31 December 2021 in accordance with IAS 36. The recoverable value was significantly higher than the carrying value, so no impairment adjustments were identified. No reasonably possible change in the key assumptions on which management has based its determination of the recoverable value would cause the assets' carrying amount to exceed their recoverable amount.

The recoverable value of these assets (goodwill and customer relationships) was determined based on the 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 (2023 – 2031) determined taking into account an average annual growth rate of net sales of 7.4% (2021: 3.7%), a perpetuity growth rate of 2.5% (2021:2.5%), operating margin of 4.5% (2021:4.5%)and a WACC of 13.5% for 2023, 14.5% for 2024, 11.6% for 2025 and 10.5% for the period 2026 - 2031 (2021: 10%).

A sensitivity analysis of the market value was performed, as shown below:

Amounts in RON million	**Decrease in operational margin**	**Decrease in net sales growth**	**Increase in update ratio**
	(0.50%)	(3%)	+1%
Recoverable value of goodwill and customer relationships	68.5	81.9	73.1
Net carrying amount	32.1	32.1	32.1
Difference	**36.4**	**49.8**	**41.0**

(amounts are expressed in RON, unless specified otherwise)

12. INVENTORIES

Inventories	**31 December 2022**	**31 December 2021**
Merchandise	27,880,610	36,656,462
Finished goods and semi-finished goods	55,002,377	52,290,420
Raw materials	90,332,051	52,741,194
Packaging materials	18,410,109	10,791,894
Minus:		
Allowance of inventories	(18,564,915)	(27,916,834)
Total	**173,060,231**	**124,563,136**

Changes in allowance per inventory category	**31 December 2022**	**31 December 2021**
Balance on 1 January	**(27,916,834)**	**(28,301,622)**
Net movement	9,351,919	384,788
Balance at 31 December	**(18,564,915)**	**(27,916,834)**

Allowance per inventory category	**31 December 2022**	**31 December 2021**
Finished goods, semi-finished goods and merchandise	(12,112,580)	(16,321,689)
Raw materials	(5,336,569)	(10,949,154)
Packaging materials	(1,115,766)	(645,991)
Total	**(18,564,915)**	**(27,916,834)**

The Company has no inventories pledged in favor of third parties as of 31 December 2022 and 31 December 2021 respectively.

The amount of the write-down of inventories recognised as an expense in the period is disclosed in Note 6.2.

(amounts are expressed in RON, unless specified otherwise)

13. TRADE RECEIVABLES AND OTHER RECEIVABLES; ADVANCES AND PREPAYMENTS

Trade receivables and other receivables	31 December 2022	31 December 2021
Total trade receivables, net, out of which:	**148,849,848**	**99,909,501**
Trade receivables	129,671,535	24,208,297
Trade receivables from related parties	19,495,809	77,649,742
Less		
Allowance for expected credit losses	(317,495)	(1,948,538)
Total other receivables- net, out of which:	**2,596,904**	**2,277,917**
Recoverable taxes	2,273,005	3,580,171
Sundry debtors	488,189	124,909
Less		
Allowance for doubtful foreseen losses from other receivables	(164,290)	(1,427,162)
Total Trade receivables and other receivables*	**151,446,752**	**102,187,418**

	31 December 2022	31 December 2021
Advances and prepayments of which:	**13,642,385**	**2,687,016**
Advances paid – current	1,128,508	1,208,629
Advances paid to related parties – current	11,736,473	-
Prepayments	777,405	1,478,387
Less		
Allowance for doubtful foreseen losses from advances and prepayments	-	-
Total advances and prepayments	**13,642,385**	**2,687,016**

Starting with January 2019, the Company signed with Factofrance SA a non-recourse factoring contract to finance the local receivables with the main nine 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. The risks and rewards related to the receivables were substantially transferred to a factor and as a result the transferred amount at the transfer date is derecognized, and the factoring fees and related finance costs are recognized at the payment date. Starting October 2022, the Company decided to stop selling new receivables to Factofrance. In the period following October 2022, only repayments were made. As of 31 December 2022, the amounts to be recovered from Factofrance were in amount of RON 14,968,607 (31 December 2021: RON 33,858,627).

Trade receivables are not interest-bearing and are generally on 60 - 120 days terms (2021: 60 - 120 days terms).

The trade receivables are presented net of the accrual for commercial discounts amounting RON 37 million at year end 31 December 2022 (2021: RON 24 million), for which the Company will issue credit notes throughout the year 2023.

(amounts are expressed in RON, unless specified otherwise)

13. TRADE RECEIVABLES AND OTHER RECEIVABLES; ADVANCES AND PREPAYMENTS (continued)

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

Value adjustments	31 December 2022	31 December 2021
Balance as of 1 January	**(3,375,700)**	**(5,304,253)**
Set-up	(858,355)	(2,749,139)
Uses	3,752,270	4,677,692
Reversals	-	-
Balance as of 31 December	**(481,785)**	**(3,375,700)**

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.

Year 2021

In estimating the expected credit losses ("ECL") related to the receivables from the Group companies, the Company took into account the rating of the parent company, Advent International, respectively the probability of default returned by Bloomberg, namely 0.0718%.

The Company has trade receivables to be recovered from Group companies, and payables to those companies, therefore a provision for credit losses was not considered to be necessary. Offsetting of the amounts is planned to be done on a regular basis.

Trade receivables from third parties in the amount of RON 27,420,444 were insured against the default risk by Coface and Credendo, companies with an AA rating according to S&P.

The Company estimates the impairment of trade receivables from third parties following an analysis of debtor's credit risk are based on analyses published by international rating agencies (S&P, Moody's, etc.) or Bloomberg.

(amounts are expressed in RON, unless specified otherwise)

14. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash at banks and on hand	11,190,679	62,597,628
Total	**11,190,679**	**62,597,628**

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 2022, the Company had letters of guarantee issued in favor of third parties amounting to RON 19,105 (2021: RON 8,355,901).

As of 31 December 2022 and 31 December 2021 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 2022 and 2021 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.

In 2021 the Company has reassessed the purpose of the cash pooling deposits held at AI Sirona (Luxembourg) Acquisition SARL and has concluded that no longer holds them for short term cash management and that is now held to generate an investment return. Consequently, the Company has reclassified in 2021 the cash pooling balance from cash and cash equivalents to cash pooling intercompany receivable.

The total interest income for cash-pooling transactions during the year is in the amount of RON 31,614,121 (2021: interest income in the amount of RON 6,544,059) 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) RCF facilities and b) cash balance and concluded that no significant credit risk exists for this financial instrument. As at 31 December 2022, the company booked a ECL provision in amount of RON 1,070,369 (31 December 2021: RON 0)

(amounts are expressed in RON, unless specified otherwise)

16. ISSUED CAPITAL AND RESERVES

Authorized shares	31 December 2022	31 December 2021
Ordinary shares of RON 0.1 each	697,017,040	697,017,040

Ordinary shares issued and fully paid	Number	Value
On 31 December 2022	697,017,040	69,701,704
On 31 December 2021	697,017,040	69,701,704

Redeemable shares**:** The Company has no redeemable shares on 31 December 2022 (2021: no redeemable shares).

Share capital	31 December 2022	31 December 2021
Issued share Capital	69,701,704	69,701,704
Total share capital	**69,701,704**	**69,701,704**

As of December 31, 2022, Zentiva Group a.s. held 95,9486% of the Company's shares (31 December 2021: 95,9486%), the reminder of the shares being held by other minority shareholders.

Share premium	31 December 2022	31 December 2021
Inflated share premiums		
Share premiums (nominal value)	9,863,684	9,863,684
hyperinflation adjustment on share premiums*	15,100,822	15,100,822
Total inflated share premiums	**24,964,506**	**24,964,506**

* For conversion to IFRS in 2011, the Company recorded a hyperinflation adjustment for the share premiums for the period 1992 - 2003 when Romania was considered to be a hyperinflationary economy.

Revaluation reserves

The revaluation reserve is considered to be realized when the correspondent asset is disposed of or sold. Once the revaluation reserve becomes realized, it can be distributed. As at 31 December 2022, the Company has revaluation reserves in amount of RON 67,069,892 (2021: RON 57,527,094).

Legal and other reserves

Total other reserves included in the capital components:	31 December 2022	31 December 2021
Legal reserves (i)	13,940,341	13,940,341
Other reserves (other funds) (ii)	132,458,834	107,803,474
Total other reserves	**146,399,175**	**121,743,815**

(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 2021 and 2022, the company didn’t set legal reserves.

(amounts are expressed in RON, unless specified otherwise)

16. ISSUED CAPITAL AND RESERVES (continued)

(ii) Other reserves include undistributed profits from the years 2004 - 2008, 2012 – 2013, 2015 - 2016. Such reserves are available for distribution as dividends. In 2022 other reserves were increased with an amount of RON 24,655,360 (2021: RON 3,397,329) representing reserve for reinvested profit (RON 6,819,381 are related to 2022 and RON 17,835,979 represents an additional reserve for 2021). 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. When the reserves from reinvested profit are used, they become taxable.

17. DIVIDENDS DISTRIBUTED AND PAID

During 2022, the Company did not distribute dividends (2021: the Company did not distribute dividends).

In 2022, the Company made no dividend payments to the Company's shareholders (2021: RON 5,110 dividend payments made to the minority shareholders).

18. PROVISIONS

Other provisions	**31 December 2022**	**31 December 2021**
Provisions for litigations	-	(211,549)
Provisions for taxes	(3,583,810)	(3,583,810)
Other provisions	(1,001,717)	-
Environmental provision	(1,265,568)	(1,265,568)
Total	**(5,851,095)**	**(5,060,927)**

	Provisions for litigations	**Provisions for taxes**	**Environmental provision**	**Other provisions**	**Total**
On 1 January 2022	**211,549**	**3,583,810**	**1,265,568**	**-**	**5,060,927**
Increase	-	262,800	-	1,913,472	**2,176,272**
Reversal	(211,549)	(262,800)	-	(911,755)	**(1,386,104)**
On 31 December 2022	**-**	**3,583,810**	**1,265,568**	**1,001,717**	**5,851,095**
Current	-	3,583,810	-	1,001,717	**4,585,527**
Long term	-	-	1,265,568	-	**1,265,568**

	Provisions for litigations	**Provisions for taxes**	**Environmental provision**	**Other provisions**	**Total**
On 1 January 2021	**211,549**	**7,256,776**	**5,640,510**	**377,249**	**13,486,084**
Increase	-	-	-	-	**-**
Reversal	-	(3,672,966)	(4,374,942)	(377,249)	**(8,425,156)**
On 31 December 2021	**211,549**	**3,583,810**	**1,265,568**	**-**	**5,051,927**
Current	-	3,583,810	-	-	**3,583,810**
Long term	211,549	-	1,265,568	-	**1,477,117**

18. PROVISIONS (continued)

Provisions for taxes

As at 31 December 2020, the Company had a provision set in the past for the potential taxes and charges differences which might be determined by the tax authorities following a full tax check, in the context of multiple legislative changes, in the amount of RON 7,256,776 out of which RON 3,672,966 was related to the claw back tax for which a litigation was in progress with the Tax Authorities (see Note 22). As of 31 December 2021 the Company revesed the provision for claw back tax as a result of the favourable final decision obtained in the dispute with Tax Authorities – refer to Note 22 Commitments and contingencies - Legal claims. The decision was issued in 2022 after the balance sheet date but before the financial statements were approved for issue and therefore were considered an adjusting event. As at 31 December 2022, 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 2021 and 31 December 2022 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.

(amounts are expressed in RON, unless specified otherwise)

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:

Post-employment benefits	31 December 2022 Post-employment benefits (P1)	31 December 2022 Jubilee Plan (P2)	Total	31 December 2021 Post-employment benefits (P1)	31 December 2021 Jubilee Plan (P2)	Total
Benefit obligation at the beginning of the year	**2,669,000**	**655,000**	**3,324,000**	**2,990,000**	**722,000**	**3,712,000**
Current service cost	199,000	95,000	294,000	214,000	93,000	307,000
Financial cost - interest (on the benefit)	149,000	33,000	182,000	101,000	23,000	124,000
Paid benefits	(519,000)	(863,000)	(1,382,000)	(26,000)	(155,000)	(181,000)
Termination benefits	384,000	-	384,000	-	-	-
Amendments to the plan	-	2,180,000	2,180,000	-	-	-
Actuarial gain / loss – experience	321,000	943,000	1,264,000	(115,000)	38,000	(77,000)
Actuarial gain / loss – changes in demographic assumptions	-	-	-	-	-	-
Actuarial gain / loss – changes in financial assumptions	(295,000)	(2,000)	(297,000)	(495,000)	(66,000)	(561,000)
Benefit obligation at the end of the year	**2,907,000**	**3,041,000**	**5,948,000**	**2,669,000**	**655,000**	**3,324,000**
The net benefit liability recognized in the statement of financial position	**2,907,000**	**3,041,000**	**5,948,000**	**2,669,000**	**655,000**	**3,324,000**

Changes in actuarial gains	31 December 2022 Retirement benefit plan (P1)	31 December 2022 Jubilee bonus plan (P2)	Total	31 December 2021 Retirement benefit plan (P1)	31 December 2021 Jubilee bonus plan (P2)	Total
Actuarial gains / losses accumulated at the beginning of the year	**917,000**	**343,000**	**1,260,000**	**1,527,000**	**371,000**	**1,898,000**
Actuarial (gain) / losses following changes in employee experience	321,000	943,000	1,264,000	(115,000)	38,000	(77,000)
Actuarial (gain) / losses following changes in assumptions	(295,000)	(2,000)	(297,000)	(495,000)	(66,000)	(561,000)
Actuarial gains / losses accumulated at the end of the year	**944,000**	**1,284,000**	**2,228,000**	**917,000**	**343,000**	**1,260,000**
Assumptions to determine the defined benefit obligation						
Discount rate	8.10%	8.10%	-	5.60%	5.60%	-
Compensation increase rate	5.50%	5.50%	-	4.00%	4.00%	-

(all amounts are presented in RON, unless otherwise stated)

20. TRADE PAYABLES AND OTHER PAYABLES

Trade payables and other payables	31 December 2022	31 December 2021
Trade payables	82,127,427	75,887,576
Trade payables to related parties at the end of year	32,968,150	22,391,059
Other liabilities	-	13,498
Total	**115,095,577**	**98,292,133**

Other current liabilities	31 December 2022	31 December 2021
Wages and salaries payable	16,727,645	12,847,369
Social security contributions and salary taxes	5,341,031	4,474,104
Claw-back tax (*)	13,091,407	11,252,312
Other taxes	2,796,582	2,755,264
Other liabilities	3,636,712	3,368,032
Total	**41,593,377**	**34,697,081**

(*) **Claw-back**	31 December 2022	31 December 2021
Initial estimate of the tax liability to the State Budget for the last quarter	15,207,825	12,215,704
Regularization of the claw-back tax for the last quarter, according to the notification received from the CNAS	(2,116,418)	(963,392)
Total	**13,091,407**	**11,252,312**

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 "connected" to 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 it is subject to the joint control of the other entity (including the parent companies, the subsidiaries or member subsidiaries);
   - it has an interest in the respective entity, which gives a significant influence on it; or
   - it holds joint control on the other entity;

b) it represents an entity associated to the other entity;
c) it represents a joint venture with the other entity as shareholder;
d) it represents a member of the entity or the parent company key management;
e) it represents a close family member of the person mentioned at points a) or d);
f) it represents an entity which is controlled, jointly controlled or significantly influenced or for which the significant voting right is granted, directly or indirectly, by any of the persons mentioned at points d) or e); or
g) the entity represents a post-employment benefits plan for the other entity employees or for the employees of any other entity related to such an entity.

- **Details about other affiliated parties:**

Company name	Nature of relation	Transaction type	Country of origin	Registered office
AI Sirona (Luxembourg) Acquisition S.à.r.l	Parent of Zentiva Group AS	Holds cash pooling	Luxemburg	Luxemburg
Labormed Pharma Trading SRL (former Alvogen Romania SRL)	Company under commor control	Sale of goods and services	Romania	Bucharest
Labormed Pharma SA	Company under common control	Provision of services	Romania	Bucharest
Solacium Pharma SRL	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

(all amounts are presented in RON, unless otherwise stated)

21. RELATED PARTY DISCLOSURES (continued)

21.2 Payables and receivables from affiliated entities and other related parties

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

	Balance as of 31 December 2022	Balance as of 31 December 2021
Labormed Pharma Trading SRL (Alvogen Romania SRL)	15,382,705	12,522,480
Labormed Pharma SA	3,098,789	670,363
Solacium Pharma SRL	-	3,388,029
Zentiva K.S.	272,196	47,463,597
Zentiva Group A.S.	725,459	13,605,273
Zentiva Pharma UK Limited	18,645	-
Zentiva Private LTD	(1,985)	-
Trade receivables from related parties	**19,495,809**	**-**
Zentiva Group A.S. – advances paid	11,736,473	**-**
Total	**31,232,281**	**77,649,742**
Al Sirona (Luxembourg) Acquisition S.à.r.l – cash pooling	**583,511,187**	**513,704,034**

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

	Balance as of 31 December 2022	Balance as of 31 December 2021
Labormed Pharma Trading SRL (Alvogen Romania SRL)	10,972,707	5,964,175
Labormed Pharma SA	1,718,903	710,727
Solacium Pharma SRL	-	1,379,723
Zentiva K.S.	12,428,076	605,242
Zentiva Group A.S.	6,845,584	13,168,245
Zentiva Pharma GMBH	323,281	366,618
Zentiva Italia	229,627	196,329
Zentiva Private LTD	380,511	-
Al Sirona (Luxembourg) Acquisition S.à.r.l	69,462	-
Total	**32,968,150**	**22,391,059**

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

- **Sales of goods and services**

	Financial year ended at 31 December 2022	Financial year ended at 31 December 2021
Labormed Pharma Trading SRL (Alvogen Romania SRL)	18,608,732	20,506,826
Labormed Pharma SA	3,801,066	1,614,966
Solacium Pharma SRL	7,213,298	4,893,841
Zentiva K.S.	273,865,627	262,817,685
Zentiva Group AS	15,616,526	7,634,325
Zentiva Pharma UK Limited	18,645	-
Total	**319,123,893**	**297,467,643**

(all amounts are presented in RON, unless otherwise stated)

21. RELATED PARTY DISCLOSURES (continued)

From the total sales to the group for the year 2022 are eliminated and are not included in the table above 24,720,735 RON (2021: RON 39,427,052) 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.

The sales disclosed above do not include the claw-back tax impact, as presented under note 5.1 Turnover

- **Purchase of goods and services**

	Financial year ended at 31 December 2022	Financial year ended at 31 December 2021
Labormed Pharma Trading SRL (Alvogen Romania SRL)	4,970,584	19,685,775
Labormed Pharma SA	2,297,479	3,271,402
Solacium Pharma SRL	1,613,766	2,700,865
Zentiva K.S.	86,415,562	70,160,126
Zentiva Group A.S.	40,142,710	59,551,903
Zentiva Private LTD	1,163,888	-
Zentiva Italia	-	2,115,858
Al Sirona (Luxembourg) Acquisition S.à.r.l	69,462	297,469
Total	**136,673,451**	**157,783,398**

From the total group purchases for 2022 are eliminated and are not included in the table above RON 24,720,735 (2021: RON 39,427,052) representing sales to Zenitva 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.

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 AI Sirona (Luxemburg) Acquisition S.a.r.l group, with the registered office in rue des Capucins 5, L-1313 Luxemburg.

AI Sirona (Luxemburg) 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 2022 and 2021.

(all amounts are presented in RON, unless otherwise stated)

21. RELATED PARTY DISCLOSURES (continued)

Compensations granted to the key management of the Company

Directors, managers and the supervisory body

In 2022 the Company granted the following gross amounts to the members of the Board of Directors which include fixed remuneration and bonuses:

	Financial year ended at 31 December 2022	Financial year ended at 31 December 2021
Members of the Board of Directors	2,261,071	2,173,837
Total	**2,261,071**	**2,173,837**

The Board of Directors consists of 5 people of which only 3 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 2022 and 2021, 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 fiscal authorities have completed reviews of corporate tax and VAT up to December 2016.

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 of December 31, 2022, 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.

  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.

- The dispute with ANAF challenging the clawback tax, as well as the penalties calculated for the reviewed period Q4 2009 - Q3 2011. In 2016, following a tax review of the clawback tax for the period Q4 2009 - Q3 2011, ANAF issued a taxation decision in the amount of RON 18,457,107 RON (“Initial Decision”), representing the clawback difference and related penalties. During 2016, following the appeal filed by the Company, ANAF annulled the Initial Decision and ordered a review, during 2017, of this fiscal obligation for the period Q4 2009 - Q3 2011. Following this new investigation, ANAF issued a new taxation decision and decisions regarding the accessory payments, in a total amount of RON 8,355,860 (consisting of RON 3,672,966 as main debt and RON 4,682,894 as penalties) (“Second Decision”). The company also challenged the Second Decision. The appeal was dismissed by ANAF, and the Company filed an action in administrative court for the annulment of the Second Decision (respectively of the last taxation decision and the decisions regarding the accessory payments) and of the decision dismissing the appeal.

  On May 28, 2019, following an initial adjournment of the ruling, the court of first instance partially allowed the action filed by the Company, namely, the 3 heads of claim regarding the additionally determined clawback contribution and the related accessory payments were allowed by the court. Specifically, the court allowed the action (i) regarding the main debt in the amount of RON 3,672,966 and (ii) regarding the penalties requested for the total amount of RON 4,494,934 (the head of claim regarding the penalties in the amount of RON 187,960 being dismissed).

  This decision of the court has been appealed by both the Company and ANAF.

  On February 21, 2022, the High Court of Cassation and Justice allowed the appeal of the Company, annulling the decision regarding the accessories payment in amount of RON 187,960, which was the object of the head of the claim dismissed by the court of first instance. At the same time, the High Court also dismissed the appeals filed by ANAF. The decision of the High Court is final. Therefore, as of 31 December 2021, the Company considered this decision an adjusting subsequent event and reversed the remaining provision for claw back tax in amount of RON 3,672,966 – refer to Note 18.

22. CONTINGENCIES (continued)

- In August 2019, ALPHA TRANSCORD SRL filed, through its judicial administrator, a summons against the Company. The case, i.e., the file no. 25005/3/2019 has 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 and is in the procedural phase on the substance.

  The Claimant alleges the non-payment by the Company of certain due invoices related to the road transport services provided by the Claimant. As such, the Claimant requests the court to bind the Defendants, including the Company, (i) to pay the amount of RON 2,262,332.27 representing the amount of the invoices due related to the road transport services provided under the agreement signed between the parties and (ii) to pay the Claimant's expenses related to the case.

  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.
  The court's solution is not final, it can be appealed within 30 days from the communication, which has not been received yet.

- In August 2022, the company Novartis AG filled a permanent injunction the Company, by which Novartis AG demanded Zentiva refrain from any act infringing the patent EP 3103448 for Gilenya® products. Specifically, Novartis AG requested Zentiva: (i) to cease any act of commercial exploitation of the product "Fingolimod Zentiva 0.5 mg" and other related products; (ii) to withdraw from the Romanian market all products/related products; (iii) to destroy all products/related products; (iv) to publish the court decision within the top three national newspapers (in terms of readership) and (v) to pay the costs related to the litigation.

  At the first hearing set on 13 December 2022, Novartis AG filed a modification request to amend their claim according to the limitation request they described in the statement of defense [i.e., Novartis requested the court (i) to take note that Novartis limits the patent RO/EP 3103448 by amending the claims for the purposes set out in the main application and in the statement of defense, (ii) to order the Romanian State Office for Inventions and Trademarks ("OSIM") to publish the patent in the amended form, (iii) to reject Zentiva's arguments and, accordingly, to dismiss the counterclaim for annulment as unfounded, and (iv) to oblige Zentiva to support the costs related to the litigation].

  At the hearing set on 14 February 2023, OSIM filed a statement of defense showing the procedural history of the patent and underlied that they would not present arguments regarding the merits of the patent, since it was issued by the European Patent Office ("EPO"). However, OSIM has asked the court to suspend the case until all proceedings relating to EP 448 are completed before the EPO. The next hearing was set by the court on April 18, 2023.

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

(all amounts are presented in RON, unless otherwise stated)

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 2022 and 2021.

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 2022, 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 2022 and 2021).

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:

	Change in ROBOR rate (+/-10%) Effect on profit before tax
2022	3,617,769
2021	1,078,778

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.

(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):

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

31 December 2021	EUR	USD	RON	CZK	GBP	Total
Trade receivables and other receivables	13,828,149	-	86,081,352	-	-	**99,909,501**
Cash pooling intercompany receivable	-	-	513,704,034	-	-	**513,704,034**
Cash and cash equivalents	7,810,292	129,763	54,657,574	-	-	**62,597,628**
Total assets (1)	**21,638,441**	**129,763**	**654,442,960**	**-**	**-**	**676,211,164**
Trade payables – suppliers	42,308,695	13,884,915	42,094,725	1,631	2,166	**98,292,133**
Lease liabilities	9,353,786	-	-	-	-	**9,353,786**
Total liabilities (2)	**51,662,481**	**13,884,915**	**42,094,725**	**1,631**	**2,166**	**107,645,917**
Difference (1)- (2)	**(30,024,040)**	**(13,755,152)**	**612,348,235**	**(1,631)**	**(2,166)**	**568,565,246**

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonable potential change in the exchange rate for US dollar and EUR, with all other variables held constant, of the Company's profit before tax and equity (due to changes in the values of monetary assets and liabilities). The Company's exposure to foreign currency changes is presented below:

	Change in EUR rate (+10%) - Effect on profit before tax and equity	**Change in USD rate (+10%) - Effect on profit before tax and equity**	**Change in CZK rate (+10%) - Effect on profit before tax and equity**
2022	(2,375,008)	(1,358,084)	-
2021	(2,965,537)	(1,374,609)	-

Credit risk

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

Trade receivables

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

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

The impairment indicators are analyzed at each reporting date.

(all amounts are presented in RON, unless otherwise stated)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 trade payables and financial liabilities:

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

As of 31 December 2021	<30 days	30 – 60 days	60 - 180 days	180 – 360 days	>1 year	Total
Trade payables	81,486,601	12,644,660	4,160,872	-	-	**98,292,133**
Lease liabilities	265,396	389,020	1,557,640	1,848,073	5,293,658	**9,353,786**
Total liabilities	**81,751,997**	**13,033,680**	**5,718,512**	**1,848,073**	**5,293,658**	**107,645,919**

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 2022 and 2021.

24. STATUTORY AUDITOR EXPENSES

In 2022, the statutory auditor Ernst & Young Assurance Services SRL. Auditor had a contractual fee of EUR 102,600 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

The debts related to the factoring agreement concluded with Factofrance SA were fully paid in March 2023.

The financial statements from page 3 to page 59 were approved by the Board of Directors and were authorized to be issued in accordance with the resolution of the Directors, dated 27 March 2023.

Administrator,
Simona Cocos

Signature
Company stamp

Prepared by,
Daniel Nitulescu
Chief Financial Officer

Signature

STATEMENT

The undersigneds hereby declare that, to the best of their knowledge, the financial statement for 2022 has been prepared in accordance with applicable accounting standards and provides an accurate and compliant representation of Zentiva SA's assets, liabilities, financial position, profit and loss statement.

The report of the Board of Directors presents in an accurate and complete manner information about Zentiva SA's activity and includes a fair assessment of its development and performances, as well as a description of the main risks and uncertainties specific to its activities.

The undersigneds assume responsibility for the preparation of the financial statements for the year 2022 and confirm that:

a) the accounting methods used in preparing the annual financial statements are in accordance with the applicable accounting standards;
b) the annual financial statements provide an accurate representation of the company's financial position, performance and all other information related to its activity;
c) the legal entity mentioned above carries out its activity in conditions of continuity.

General Manager

SIMONA COCOȘ

CFO

DANIEL NIȚULESCU

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Zentiva S.A

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Zentiva S.A (the Company) with official head office in 50, Theodor Pallady Blvd, District 3, Bucharest, identified by sole fiscal registration number 336206, which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Rebates and discounts related to sales The Company sells both products manufactured locally or abroad mainly to group companies or to local distributors, which can fall under certain commercial and reimbursement arrangements. These arrangements could result in deductions to gross sales in arriving at net sales and give rise to obligations for the Company to provide customers with rebates, discounts and returns, which for unsettled amounts are recognised as an accrual at the end of the financial year. We have focused on this area because the computation of rebates and discounts is complex, the determination of the accrual requires a continuous revising and adjusting process based on the most recent available known information by the Management. Given the complexity, manual inputs in the process and the multiple sources of information used for the calculation of the accrued discount and rebates, a significant part of the overall audit effort was concentrated in this area. We therefore consider that this area represents a key audit matter. The Company’s disclosures about the rebates and discounts are included in Note 3 and Note 13 to the financial statements.	Our audit procedures focused on the Management’s process for setting discounts and rebates accruals, including regular revising of initial estimates correlated with the provided supporting documents. Our audit procedures with respect to the accrued discounts and rebates included, but were not limited to, the following procedures: • A detailed understanding of the revenue recognition processes, accounting policies and methodologies used by management in respect of revenue recognition, including rebates, discounts and returns; • Considered the appropriateness of the process adopted by management in assessing the values and accounting for rebates and other sales deductions and understood which are the key elements of the calculation in terms of product, portfolio, sales channel; • Obtained discounts calculations for the last month of the year for the significant type of commercial discounts, reconciled the evidence received for completeness to the operational sales database used for computation of discounts and to the accounting records; moreover, we assessed for reasonableness key assumptions against sales activity, customer arrangements and, on a samples basis, we assessed reasonability of data inputs of the calculation against multiple sources. • Circularized a sample of trade receivables balances at year end, including discounts and rebates offered throughout the year, reconciled with the Company’s recorded amounts and obtained supporting evidence or explanations for any material unreconciled differences;

	• Checked subsequent settlement of discounts and rebates accrued at year end through the subsequent events period and correlated with the above information; • Undertaken an analysis of the historical accuracy of assumptions and revisions applied by management in setting the accruals by reference to actual rebates and discounts vs. accruals made in prior year. We also evaluated the presentation and disclosure of rebates and discounts within the Company's financial statements

Other information

The other information comprises the Annual Report of the Board of Directors, the Remuneration Report, and the Non-Financial Report, but does not include the financial statements and our auditors' report thereon. We obtained the Annual Report of the Board of Directors and the Remuneration Report, prior to the date of our auditor's report, and we expect to obtain the Non-Financial Report, as part of a separate report, after the date of our auditor's report. Management is responsible for the other information.

Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the Financial Statements and Our Auditors' Report Thereon

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Annual Report of the Board of Directors and Remuneration Report, we have read these reports and report that:

a) in the Annual Report of the Board of Directors we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2022;

b) the Annual Report of the Board of Directors identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 articles 15 – 19;

c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at December 31, 2022, we have not identified information included in the Annual Report of the Board of Directors that contains a material misstatement of fact.

d) the Remuneration Report identified above includes, in all material respects, the required information according to the provisions of article 107 (1) and (2) from Law 24/2017 on issuers of financial instruments and market operations.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Company by the General Meeting of Shareholders on 27 April 2017 to audit the financial statements for the financial year end December 31, 2022. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 18 years, covering the financial periods end December 31, 2005 till December 31, 2022.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on the same date as the issue date of this report.

Provision of Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and non-audit services disclosed in the financial statements, no other services which were provided by us to the Company.

Report on the compliance of the electronic format of the financial statements with the requirements of the ESEF Regulation

We have performed a reasonable assurance engagement on the compliance of the financial statements presented in XHTML format of Zentiva S.A (the Company) for the year ended 31 December 2022, with the requirements of the Commission Delegated Regulation (EU) 2018 /815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation).

These procedures refer to testing the format and whether the electronic format of the financial statements (XHTML) corresponds to the audited financial statements and expressing an opinion on the compliance of the electronic format of the financial statements of the Company for the year ended 31 December 2022 with the requirements of the ESEF Regulation. In accordance with these requirements, the electronic format of the financial statements should be presented in XHTML format.

Responsibilities of the Management and Those Charged with Governance

The Management of the Company is responsible for the compliance with the requirements of the ESEF Regulation in the preparation of the electronic format of the financial statements in XHTML format and for ensuring consistency between the electronic format of the financial statements (XHTML) and the audited financial statements.

The responsibility of the Management also includes the design, implementation and maintenance of such internal control as determined is necessary to enable the preparation of the financial statements in ESEF format that are free from any material non-compliance with the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process for the preparation of financial statements, including the application of the ESEF Regulation.

Auditor's Responsibility

Our responsibility is to express an opinion providing reasonable assurance on the compliance of the electronic format of the financial statements with the requirements of the ESEF Regulation.

We have performed a reasonable assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform our engagement to obtain reasonable assurance about whether the electronic format of the financial statements of the Company is prepared, in all material respects, in accordance ESEF regulation. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.

Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with ISAE 3000 (revised) will always detect material non-compliance with the requirements when it exists.

Our Independence and Quality Management

We apply International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, designs, implements and operates a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have maintained our independence and confirm that we have met the ethical and independence requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

Summary of procedures performed

The objective of the procedures that we have planned and performed was to obtain reasonable assurance that the electronic format of the financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation. When conducting our assessment of the compliance with the requirements of the ESEF Regulation of the electronic reporting format (XHTML) of the financial statements of the Company, we have maintained professional skepticism and applied professional judgement. We have also:

- obtained an understanding of the internal control and the processes related to the application of the ESEF Regulation in respect of the financial statements of the Company, including the preparation of the financial statements of the Company in XHTML format
- tested the validity of the applied XHTML format
- checked whether the electronic format of the financial statements (XHTML) corresponds to the audited financial statements

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the compliance of the electronic format of the financial statements with the requirements of the ESEF Regulation

Based on the procedures performed, our opinion is that the electronic format of the financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation.

On behalf of,

Ernst & Young Assurance Services SRL
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Registered in the electronic Public Register under No. FA77

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Firma de audit: ERNST & YOUNG ASSURANCE SERVICES S.R.L.
Registrul Public Electronic: FA77

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Auditor financiar: Gavrila Felicia Viorica
Registrul Public Electronic: AF1513

Name of the Auditor/ Partner: Felicia Viorica Gavrila
Registered in the electronic Public Register under No. AF1513

Bucharest, Romania
27 March 2023