

S.C. ZENTIVA S.A.

QUARTERLY FINANCIAL REPORTING

AS AT 31 SEPTEMBER 2023

Report date: 30.09.2023

- **Name of the issuer:** ZENTIVA SA
- **Registered office:** Bd. Theodor Pallady nr.50, Bucuresti
- **Phone / Fax:** 021.304.72.00, 021.304.75.00 / 021.345.40.04
- **Tax identification number:** RO336206
- **Trade Register number:** J/40/363/1991
- **Regulated market on which the issued securities are traded:** Bucharest Stock Exchange
- **Share Capital – subscribed and paid-in:** RON 69,701,704
- **Class, type, no. and main characteristics of securities:** 697,017,040 dematerialized class I shares
- **Market value:** RON 2.4 / share, represents the reference price of the last trading day from quarter III 2023
- **Market capitalization as at September 30, 2023:** RON 1,672,840,896

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ZENTIVA S.A.
STATEMENT OF COMPREHENSIVE INCOME
For the period ended September 30, 2023

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

	<u>30,09,2023</u>	<u>30,09,2022</u>
	RON	RON
Revenue from sales of goods	645,768,869	511,811,019
Revenue from rendering of services	38,778,337	26,240,990
Turnover	<u>684,547,207</u>	<u>538,052,009</u>
Other operating income	318,352	8,311,122
Changes in inventories of finished goods and work in progress	20,410,573	6,532,659
Raw materials and consumables used	(349,162,321)	(286,762,980)
Employee benefits expenses	(118,539,347)	(97,580,138)
Depreciation, amortization and impairment	(23,794,412)	(22,445,269)
Marketing and advertising expenses	(7,235,802)	(4,138,000)
Expenses with provisions	(983,662)	(2,505,583)
Other operating expenses	(93,100,527)	(114,148,984)
Operating profit	<u>112,460,061</u>	<u>25,314,835</u>
Financial Income	31,757,884	21,649,053
Financial Expenses	(2,791,581)	(4,565,395)
Profit before tax	<u>141,426,364</u>	<u>42,398,493</u>
Income Tax Expense	(17,557,740)	(8,785,622)
Net profit after tax (A)	<u>123,868,623</u>	<u>33,612,871</u>
Other comprehensive income:		
Other elements of comprehensive income not reclassified through Profit and Loss account	-	-
Revaluation of land and buildings impact	-	-
Deferred tax on revaluation of land and buildings impact recognised in equity	-	-
Other comprehensive income net of tax (B)	<u>-</u>	<u>-</u>
Total comprehensive income after tax (A) + (B)	<u>123,868,623</u>	<u>33,612,871</u>
Number of Shares	<u>697,017,040</u>	<u>697,017,040</u>
Earnings per share (RON/share)	<u>0.17771</u>	<u>0.04822</u>

Financial statements for the period ended September 30, 2023 are not audited.

ZENTIVA S.A.
STATEMENT OF FINANCIAL POSITION
For the period ended September 30, 2023
(all amounts are expressed in RON, unless specified otherwise)

	<u>30.09.2023</u>	<u>31.12.2022</u>
Assets		
Non-current assets		
Property, plant and equipment	212,657,665	212,594,512
Advances for equipment	3,876,712	5,907,878
Right-of-use assets	19,936,226	18,681,887
Goodwill	11,649,100	11,649,100
Customer relationships	17,787,563	20,374,470
Other intangible assets	2,928,196	3,114,287
Total intangible assets	<u>32,364,858</u>	<u>35,137,857</u>
	<u>268,835,461</u>	<u>272,322,135</u>
Current assets		
Inventories	175,522,558	173,060,231
Trade receivables and other receivables	322,313,432	151,446,752
Advances and prepayments	5,124,905	13,642,385
Cash pooling intercompany receivables	574,543,223	583,511,187
Cash and cash equivalents	12,413,601	11,190,679
	<u>1,089,917,719</u>	<u>932,851,234</u>
Total assets	<u>1,358,753,181</u>	<u>1,205,173,370</u>
Equity		
Issued share capital	69,701,704	69,701,704
Share premium	24,964,506	24,964,506
Legal and other reserves	147,830,467	146,399,175
Revaluation reserve	67,069,892	67,069,892
Retained earnings	813,656,614	691,219,282
Total equity	<u>1,123,223,182</u>	<u>999,354,559</u>
Non-current liabilities		
Contract liability	834,952	4,282,372
Employee benefit liability	6,267,651	5,947,909
Deferred tax liability	7,124,832	7,138,545
Lease liabilities	13,311,775	12,999,385
Provisions	1,265,568	1,265,568
Total non-current liabilities	<u>28,804,779</u>	<u>31,633,780</u>
Current liabilities		
Contract liability	4,070,598	4,070,598
Trade payables and other payables	145,570,031	115,095,577
Income taxes payable	4,222,746	3,028,357
Short-term lease liability	6,571,690	5,811,596
Other current liabilities	40,864,780	41,593,377
Short-term provisions	5,425,375	4,585,527
Total current liabilities	<u>206,725,220</u>	<u>174,185,032</u>
Total liabilities	<u>235,529,999</u>	<u>205,818,811</u>
Total liabilities and equity	<u>1,358,753,181</u>	<u>1,205,173,370</u>

Financial statements for the period ended September 30, 2023 are not audited.

ZENTIVA S.A.
STATEMENT OF FINANCIAL POSITION
For the period ended September 30, 2023
(all amounts are expressed in RON, unless specified otherwise)

CASH FLOW STATEMENT

	30.09.2023	30.09.2022
Cash flows from operating activities:		
Profit before tax	141,426,364	42,398,493
<i>Adjustments for:</i>		
Depreciation and amortization of tangible and intangible assets	23,794,412	22,445,269
Movements in provisions for risks and charges	7,680,082	(6,013,628)
Gains from disposal of assets	17,244	-
Interest revenues	(28,732,193)	(20,813,444)
Interest expenses	931,838	432,081
Operating profit before working capital changes	145,117,748	38,448,771
Changes in inventories	(8,232,192)	(24,447,041)
Changes in trade, other receivables and advances	(160,318,035)	(27,832,655)
Changes in trade and other payable	27,348,448	52,217,658
Paid income taxes	(16,377,064)	(11,086,645)
Cash generated from operating activities	(12,461,095)	27,300,088
Cash flows from investment activities:		
Proceeds from sale of non-current assets	-	-
Purchase of property, plant and equipment and intangible assets	(15,497,573)	(15,859,231)
Interest (paid) / received	27,800,355	20,381,363
Movements in deposits related parties	7,897,595	(60,076,844)
Net cash used in investing activities	20,200,377	(55,554,712)
Cash flows from financing activities:		
Other financial assets / liabilities	(6,516,360)	(3,989,534)
Net cash from/ (used in) in financing activities	(6,516,360)	(3,989,534)
Net increase (decrease) in cash and cash equivalents	1,222,922	(32,244,158)
Cash and cash equivalents at the beginning of the period	11,190,679	62,597,628
Cash and cash equivalents at the end of the period	12,413,601	30,353,470

ZENTIVA S.A.
STATEMENT OF CHANGES IN EQUITY
For the period ended September 30, 2023
(all amounts are expressed in RON, unless specified otherwise)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserves	Revaluation reserve	Retained earnings	Total
Opening balance at 01.01.2023	69,701,704	24,964,506	146,399,175	67,069,892	691,219,282	999,354,559
Profit for the year	-	-	-	-	123,868,623	123,868,623
Share capital increase	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-
Other elements of the comprehensive income	-	-	-	-	-	-
Total comprehensive income	69,701,704	24,964,506	146,399,175	67,069,892	815,087,906	1,123,223,182
Reserve for reinvested profit	-	-	1,431,292	-	(1,431,292)	-
Closing balance at 30.09.2023	69,701,704	24,964,506	147,830,467	67,069,892	813,656,614	1,123,223,182

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

ZENTIVA S.A.
Notes to the Financial Statements
For the period ended September 30, 2023
(all amounts are expressed in RON, unless specified otherwise)

NOTE 1: INFORMATION ABOUT THE COMPANY

The company, previously named SICOMED S.A. Bucharest ("Sicomed") was founded in 1962 as Intreprinderea de Medicamente BUCURESTI ("IMB"). The current registered office of the Company is located in B-dul Theodor Pallady no.50, Bucharest. The Company is registered with the Trade Register under no. J40/363/1991.

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

In October 2005, the majority stake in the company was acquired by Zentiva Group (a group in the pharmaceutical industry operating in Central and Eastern Europe) by acquiring shares in Venoma Holdings Limited. Zentiva Group has control over the Company's operations.

Starting with 24 January 2006, the Company changed its name from Sicomed SA to Zentiva SA.

Starting with 11 March 2009, there was a change in the shareholding structure at the group level (Sanofi Aventis acquired 97% of Zentiva NV shares - parent of the Company).

The main activity of the Company is the production and marketing of preparations and medicines for human use.

Starting with 2007, a decision has been taken at the Zentiva Group level, and as a result the Company started its trading operations through its subsidiary in Romania, namely Zentiva International (incorporated in Slovakia) ("ZIRO") and the Romanian market (i.e. distributors) was supplied with the Company's products through ZIRO. Starting with 1 October 2011, sales are made directly through the Sanofi Romania SRL entity and after that date, ZIRO became an entity with no activity to be liquidated.

On 20 February 2018, Zentiva SA launched the public purchase offer by Zentiva NV of the shares owed by minority shareholders in the percent of 18.4067 % at buying price of RON 3.5 / share. The public purchase offer was concluded on 5 April 2018. The shares purchased through this offer were primarily the ones owned by KJK Fund II, the NN Optional Active Pension Fund, the NN Optional Optimal Pension Fund and the NN Privately Administrated Pension Fund.

At the end of October 2016, Sanofi Group announced, after an analysis of all the available options, to sell its Europe generic business.

Zentiva SA was involved in this separation process that was finalized on the 30th of September 2018, when Advent International NV purchased the Europe generic medicine division of Sanofi Group.

Starting with 1st of September 2018, Sanofi Romania SRL, who was up until that time the distributor on the Romanian market of generic medicine manufactured by Zentiva SA, transferred its distribution activity towards Zentiva SA, based on the distribution activity transfer contract, which was approved on 7 March 2019 by the General Meeting of the Shareholders of Zentiva SA.

Following this, Zentiva started the direct distribution on the Romanian of products both manufactured in Romania, as well as imported from other entities from the Group. The local market distribution is done by local distributors.

The Company is listed on Bucharest Stock Exchange.

The Company has no investments in subsidiaries or affiliated companies on 30 September 2023. The Company is part of a group and is at its turn consolidated in the Group's Financial Statements, the consolidated parent company being Al Sirona (Luxembourg) Acquisition S.a.r.l.

ZENTIVA S.A.
Notes to the Financial Statements
For the period ended September 30, 2023
(all amounts are expressed in RON, unless specified otherwise)

COMPANY'S MANAGEMENT as at September 30, 2023

Board of Directors

As of September 30, 2023 the Board of directors had the following composition

- Simona Cocos - Member of the Board - starting with February 2010, and Chairman of the Board – starting with August, 2021;
- Margareta Tanase - Member of the Board - starting with March 2010;
- Kenneth Lynard - Member of the Board - starting with October 2019;
- Alin Briciu - Member of the Board - starting with February 2023;
- Francois Noel Marchand – Independent Member of the Board - starting with February 2017.

Executive Management

As of September 30, 2023 the Executive management member is:

- Simona Cocos – General Manager, Member and Chairman of the Board

NOTE 2: BASIS OF PREPARATION OF THE FINANCIAL STATEMENT

The Company's financial statements have been prepared in accordance with the provisions of Order No. 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market with all subsequent modifications and clarifications. These provisions are in line with the provisions of the International Financial Reporting Standards adopted by the European Union, except for the provisions of IAS 21 - The Effects of Changes in Foreign Exchange Rates on the Functional Currency IAS 20 - The accounting of governmental subventions regarding the recognition of income form green certificates, with the exception of IFRS 15 - Income from contracts with clients regarding the income from distribution network charges and with the exception of interim distribution of dividends. In order to prepare these financial statements, in accordance with the Romanian legal provisions, the functional currency of the Company is considered to be the Romanian Leu (RON).

Going Concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue its activity in the foreseeable future. In order to assess the applicability of this assumption, the management analyses the forecasts of future cash inflows.

On 30 September 2023, current assets of the Company exceed current liabilities by RON 883,192,499 (on 31 December 2022 current assets exceeded current liabilities by RON 758,666,203).

The budget prepared by the management of the Company and approved by the Board of directors 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 manufactured locally as well as the ones imported from other entities of the Group to which the Company belongs to.

The management deems that the Company will be able to continue its activity in the foreseeable future and therefore the application of the principle of continuity of activity in the drawing up of the financial statements is justified.

Principles, policies and accounting methods

No significant changes occurred in the company's accounting policies and methods during the financial year concluded on September 30, 2023, compared to the accounting policies presented on December 31, 2022.

ZENTIVA S.A.
Notes to the Financial Statements
For the period ended September 30, 2023
(all amounts are expressed in RON, unless specified otherwise)

NOTE 3: SALES OF GOODS AND RENDERING OF SERVICES AND EXPENSES WITH RAW MATERIALS AND CONSUMABLES EXPENCES

3.1 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 – 30 September 2023	1 January – 30 September 2022
Sales - domestic	358,271,602	296,191,725
Sales – external*	326,275,605	241,860,284
Total revenue	684,547,207	538,052,009
a) Rendering of services	38,778,337	26,240,990
b) Sales of goods	645,768,869	511,811,019

*External sales are represented mainly by sales to Cehia.

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.

3.2 Raw material expenses, merchandise, consumables used and utilities

	Note	1 January – 30 September 2023	1 January – 30 September 2022
Raw materials	a	165,277,537	143,662,798
Merchandise		89,042,657	66,552,527
Packaging materials	b	58,870,579	42,009,314
Auxiliary materials	c	14,203,910	11,557,530
Utilities	d	16,025,280	17,242,110
Other material expenses	e	5,742,359	5,738,700
Total		349,162,321	286,762,980

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.

ZENTIVA S.A.
Notes to the Financial Statements
For the period ended September 30, 2023
(all amounts are expressed in RON, unless specified otherwise)

NOTE 3: SALES OF GOODS AND RENDERING OF SERVICES AND EXPENSES WITH RAW MATERIALS AND CONSUMABLES EXPENCES (continued)

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.

NOTE 4: OTHER INCOME / OTHER EXPENSES AND ADJUSTMENTS

4.1 Other operating income

Other operating income	1 January – 30 September 2023	1 January – 30 September 2022
Gain/ (loss) from disposal of assets	17,244	8,914
Other operating income	301,108	8,302,208
Total	318,352	8,311,122

4.2 Other operating expenses

	1 January – 30 September 2023	1 January – 30 September 2022
Support services received from Zentiva Group	33,853,530	52,107,962
Repairs	5,362,780	6,657,901
Royalties – Zentiva trademark	3,083,006	3,383,909
Travel expenses	2,440,212	6,126,372
Write-off of inventories	10,410,890	3,726,040
Taxes, registration fees	2,486,119	2,739,782
Professional fees	1,351,812	2,470,479
Other expenses	27,753,114	46,761,352
Net allowance for inventories and receivables	6,359,065	(9,824,813)
Total	93,100,527	114,148,984

The expenses with support services from the Group include a large variety of services (see below) and have decreased in Q3 2023 compared to the same period from 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.

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

ZENTIVA S.A.
Notes to the Financial Statements
For the period ended September 30, 2023
(all amounts are expressed in RON, unless specified otherwise)

NOTE 4: OTHER INCOME / OTHER EXPENSES AND ADJUSTMENTS (continued)

Other expenses include: expenses for R&D in the pharmaceutical field, expenses for production authorization, equipment maintenance and repair, transport, security, intranet and other miscellaneous costs. In this category, there are included also the personnel leasing services of Lugera & Makler Romania SRL.

NOTE 5: NON-CURRENT ASSETS

	Property, plant and equipment	Goodwill	Customer relationships	Right-of-use assets	Intangible asstes	Total
Gross value as at 1 January 2023	382,926,649	11,649,100	34,492,101	32,915,121	9,355,232	471,338,203
Additions	15,311,953			6,859,216	185,621	22,356,789
Disposals	(1,298,282)			(1,424,216)		(2,722,498)
Transfers						
Gross value as at 30 September 2023	396,940,319	11,649,100	34,492,101	38,350,121	9,540,853	490,972,494
Depreciation and impairment as of 1 January 2023	(170,332,137)	-	(14,117,631)	(14,233,233)	(6,240,945)	(204,923,946)
Depreciation in the year	(15,230,914)		(2,586,908)	(5,604,878)	(371,712)	(23,794,412)
Disposals	1,280,397			1,424,216		2,704,613
Amortizare si depreciere de valoare la 30 September 2023	(184,282,654)	-	(16,704,539)	(18,413,895)	(6,612,657)	(226,013,745)
Net value as at 1 January 2023	212,594,512	11,649,100	20,374,470	18,681,888	3,114,287	266,414,257
Net value as at 30 September 2023	212,657,665	11,649,100	17,787,563	19,936,226	2,928,196	264,958,749

ZENTIVA S.A.
Notes to the Financial Statements
For the period ended September 30, 2023
(all amounts are expressed in RON, unless specified otherwise)

NOTE 5: NON-CURRENT ASSETS (continued)

PROPERTY, PLANT AND EQUIPMENT

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.

ZENTIVA S.A.
Notes to the Financial Statements
For the period ended September 30, 2023
(all amounts are expressed in RON, unless specified otherwise)

NOTE 5: NON-CURRENT ASSETS (continued)

GOODWILL AND CUSTOMER RELATIONSHIPS

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

The Company performed an impairment testing on goodwill and customer relationships as of 31 December 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%).

RIGHT-OF-USE-ASSETS

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.

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.

INTANGIBLE ASSETS

The Company recognized in the category "intangible assets" the following items:

- Computer software
- Research and development expenses
- Patents, licenses, trademarks

ZENTIVA S.A.
Notes to the Financial Statements
For the period ended September 30, 2023
(all amounts are expressed in RON, unless specified otherwise)

NOTE 6: INVENTORIES

	30 September 2023	31 December 2022
Merchandise	35,535,667	27,880,610
Finished products and semi-finished products	65,433,147	55,002,377
Raw materials	72,931,199	90,332,051
Package materials	25,957,326	18,410,109
Minus:		
Allowance for obsolete inventories	(24,334,780)	(18,564,915)
Total	175,522,558	173,060,231

The Company has no inventories pledged in favor of third parties as of 30 September 2023 and 31 December 2022 respectively.

NOTE 7: TRADE RECEIVABLES AND OTHER RECEIVABLES / ADVANCES AND PREPAYMENTS

Trade receivables and other receivables

	30 September 2023	31 December 2022
Total trade receivables, net, out of which:	321,204,156	148,849,848
Trade receivables *	214,827,230	129,671,535
Trade receivables from related parties	106,694,421	19,495,809
Minus:		
Allowance for doubtful trade accounts receivable	(317,495)	(317,495)
Total other receivables, out of which:	1,109,276	2,596,904
Recoverable taxes	870,180	2,273,005
Sundry debtors	403,387	488,189
Minus:		
Allowance for doubtful other accounts receivable	(164,290)	(164,290)
Total trade receivables and other receivables	322,313,432	151,446,752

	30 September 2023	31 December 2022
Advances and prepayments, out of which:		
Advances paid – current	2,438,501	1,128,508
Advances paid to related parties – current	-	11,736,473
Prepaid expenses	2,686,404	777,405
Total advances and prepayments	5,124,905	13,642,385

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

Trade receivables are not interest-bearing and are generally on 60 - 150 days terms (2022: 60 - 150 days terms).

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Notes to the Financial Statements
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NOTE 7: TRADE RECEIVABLES AND OTHER RECEIVABLES / ADVANCES AND PREPAYMENTS
(continued)

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

	30 September 2023	31 December 2022
Opening Balance	(481,785)	(3,375,700)
Increases during the year	-	(858,355)
Reversals during the year	-	3,752,270
Closing Balance	(481,785)	(481,785)

NOTE 8: CASH AND CASH EQUIVALENTS

	30 September 2023	31 December 2022
Cash at banks and on hand	12.413.601	11,190,679
Total	12.413.601	11,190,679

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 30 September 2023, the Company had letters of guarantee issued in favor of third parties amounting to RON 26,160 (2022: RON 19,105).

As of 30 September 2023 and 31 December 2022 respectively, the Company has an unused credit facility of RON 10,000,000 at BNP Paribas. The interest rate is 1-month ROBOR + 1.30% pa.

NOTE 9: 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.

As of September 30, 2023 the balance of cash pooling deposit is RON 574,543,223 (December, 31 2022: RON 583,511,187).

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NOTE 10: ISSUED CAPITAL AND RESERVES

Share Capital

	30 September 2023	31 December 2022
	Number	Number
Ordinary shares subscribed capital	697,017,040	697,017,040

	30 September 2023	31 December 2022
	RON / share	RON / share
Ordinary shares nominal value	0.1	0.1

	30 September 2023	31 December 2022
	RON	RON
Share capital	69,701,704	69,701,704

The company's share capital is fully paid on September 30, 2023 and December 31, 2022.

Redeemable shares

The company does not own redeemable shares on September 30, 2023 and December 31, 2022.

Bonds

The company does not have bonds issued on September 30, 2023 and December 31, 2022.

Shareholding structure

	30 September 2023 (%)	31 December 2022 (%)
Zentiva Group AS	95,9486	95,9486
Other minority shareholders	4,0514	4,0514
	100%	100%

Reserves

Total other reserves included in the capital components:	30 September 2023	31 December 2022
Legal reserves	13,940,341	13,940,341
Other reserves (other funds)	133,890,126	132,458,834
Revaluation reserves	67,069,892	67,069,892
Retained earnings	813,656,614	691,219,282
Total other reserves	1,028,556,973	904,688,349

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NOTE 11: PROVISIONS

	Provisions for litigations	Provisions for taxes	Environmental provision	Other provisions	Total
On 1 January 2023	-	3,583,810	1,265,568	1,001,717	5,851,095
Increase	-	-	-	839,848	839,848
Reversal	-	-	-	-	-
On 30 September 2023	-	3,583,810	1,265,568	1,841.565	6.690.943
Current	-	3,583,810	-	1.841.565	5.425.375
Long term	-	-	1,265,568	-	1.265.568

Tax provisions

As of September 30, 2023, the company has a provision 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 3,583.810 (31 December 2022 : 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

Environmental provisions were reassessed by specialists during 2021, so that the provision as of December 31, 2022 and September 30, 2023 is in amount of RON 1,265,568. This represents expenses related to ecological rehabilitation and soil and underground water monitoring.

NOTE 12: PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

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;

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NOTE 12: PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (continued)

- 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. As of September 30, 2023 and December 31, 2022 these provisions are in total amount of RON 6,267,651, respectively RON 5,947,909.

NOTE 13: TRADE PAYABLES AND OTHER PAYABLES

Trade payables and other payables

	30 September 2023	31 December 2022
Trade payables	78,549,776	82,127,427
Trade payables to affiliated companies	67,020,255	32,968,150
Other liabilities	-	-
Total	145,570,031	115,095,577

Other current liabilities

	30 September 2023	31 December 2022
Wages and salaries payable	17,158,446	16,727,645
Social security contributions for salaries	3,870,559	5,341,031
Claw back tax (*)	13,529,799	13,091,407
Other taxes	2,780,591	2,796,582
Other liabilities	3,525,385	3,636,712
Total	40,864,780	41,593,377

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Notes to the Financial Statements
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NOTE 14: RELATED PARTIES

Details about related parties:

<u>Company name</u>	<u>Nature of relation</u>	<u>Transaction type</u>	<u>Country of origin</u>	<u>Registe red office</u>
Al Sirona (Luxembourg) Acquisition S.à.r.l	Parent of Zentiva Group AS	Holds cash pooling	Luxembourg	Luxembourg
Labormed Pharma Trading SRL (former Alvogen Romania SRL)	Company under common control	Sale of goods and services	Romania	Bucharest
Labormed Pharma SA	Company under common control	Provision of services	Romania	Bucharest
Solacium Pharma SRL	Company under common control	Provision of services	Romania	Bucharest
Zentiva Group A.S.	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

Payables and receivables from affiliated entities and other related parties

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

	30 September 2023	31 December 2022
Labormed Pharma Trading SRL	16,728,516	15,382,705
Labormed Pharma SA	6,561,755	3,098,789
Zentiva K.S.	74,754,080	272,196
Zentiva Group A.S.	8,631,425	725,459
Zentiva Pharma UK Limited	18,645	18,645
Zentiva Private LTD	-	(1,985)
Total	106,694,421	19,495,809
Zentiva Group A.S. – advances paid	-	11,736,473
Total	106,694,421	31,232,281
Al Sirona (Luxembourg) Acquisition S.à.r.l	574,543,223	583,511,187

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NOTE 14: RELATED PARTIES (continued)

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

	30 September 2023	31 December 2022
Labormed Pharma Trading SRL	11,850,523	10,972,707
Labormed Pharma SA	3,598,216	1,718,903
Zentiva K.S.	30,249,996	12,428,076
Zentiva Group A.S	20,034,913	6,845,584
Zentiva Pharma GMBH	325,058	323,281
Zentiva Italia	388,244	229,627
Zentiva Private LTD	513,610	380,511
Al Sirona (Luxembourg) Acquisition S.à.r.l	59,695	69,462
Total	67,020,255	32,968,150

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

➤ **Sales of goods and services**

	30 September 2023	30 September 2022
Labormed Pharma Trading SRL	29,875,874	10,205,709
Labormed Pharma SA	2,910,055	1,522,463
Solacium Pharma SRL	-	4,029,088
Zentiva K.S.	289,294,272	228,384,314
Zentiva Group A.S	9,164,368	3,942,368
Zentiva Pharma LTD		18,645
Total	331,244,570	248,102,587

➤ **Purchase of goods and services**

	30 September 2023	30 September 2022
Labormed Pharma Trading SRL	6,853,361	2,782,624
Labormed Pharma SA	1,420,383	706,628
Solacium Pharma SRL	-	926,523
Zentiva K.S.	105,471,130	86,107,021
Zentiva Group A.S.	18,111,461	54,414,517
Zentiva Italia	244,825	77,696
Zentiva Private LTD	1,415,314	785,842
Total	133,516,474	145,800,851

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NOTE 15: FINANCIAL RATIOS

Ratio Name	Formula	30 September 2023	30 September 2022
Current Liquidity Ratio	Current Assets / Current Liabilities	5.3	4.7
Indebtedness Ratio	Long Term Debt / Shareholders' Equity x 100	0%	0%
Debtors Days Ratio	Average Customers Balance / Turnover x 270	93	58
Assets Turnover Ratio	Turnover / Non Current Assets	2.5	2.3

The current liquidity ratio has increased compared to the same period last year. As of September 30, 2023, the current liquidity indicator is 5.3 (September 30, 2022: 4.7)

The company has no long-term debt.

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

NOTE 16: EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no subsequent events that would affect the financial statements of the Company as of September 30, 2023.

Administrator,
Cocos Simona

Prepared by,
Nitulescu Daniel
Chief Financial Officer

Signature

Signature