

ZENTIVA S.A.

QUARTERLY FINANCIAL REPORTING

AS AT 31 MARCH 2024

Report date: 31.03.2024

- **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 2.98 / share, represents the reference price of the last trading day from quarter I 2024
- **Market capitalization as at March 31, 2024:** RON 2,077,110,779

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ZENTIVA S.A.
STATEMENT OF COMPREHENSIVE INCOME
For the period ended March 31, 2024
(all amounts are expressed in RON, unless specified otherwise)

STATEMENT OF COMPREHENSIVE INCOME	31.03.2024	31.03.2023
	RON	RON
Revenue from sales of goods	253,188,519	217,052,494
Revenue from rendering of services	13,106,552	13,614,463
Revenue	266,295,071	230,666,957
Other operating income	512,050	5,685
Changes in inventories of finished goods and work in progress	8,099,955	2,110,222
Raw material expenses, merchandise, consumables used and utilities	(112,909,350)	(116,882,563)
Employee benefits expenses	(45,505,118)	(36,901,437)
Depreciation, amortization and impairment	(7,440,138)	(7,272,413)
Marketing and advertising expenses	(2,456,235)	(2,267,057)
Reversal of/ (expenses with) provisions	(210,000)	(447,938)
Other operating expenses	(31,188,177)	(26,795,744)
Operating profit	75,198,059	42,215,711
Financial Income	10,517,289	11,137,478
Financial Expenses	(659,068)	(928,693)
Profit before income tax	85,056,279	52,424,496
Income Tax Expense	(10,890,670)	(9,709,936)
Net profit for the year (A)	74,165,609	42,714,559
Other comprehensive income:		
<i>Other comprehensive income that will not be reclassified to profit and loss in subsequent periods:</i>	-	-
Deferred tax impact on pension/reevaluation recognized in equity	-	-
Other comprehensive income items	-	-
Other comprehensive income net of tax (B)	-	-
Comprehensive income for the year (A) + (B)	74,165,609	42,714,559
Number of Shares	697,017,040	697,017,040
Net earnings per share (RON/share)	0.11	0.06

Financial statements for the period ended March 31, 2024 are not audited.

ZENTIVA S.A.
STATEMENT OF FINANCIAL POSITION
For the period ended March 31, 2024
(all amounts are expressed in RON, unless specified otherwise)

STATEMENT OF FINANCIAL POSITION	31.03.2024	31.12.2023
Assets		
Non-current assets		
Property, plant and equipment	228,890,451	220,505,720
Advances for equipment	1,527,480	8,652,051
Right-of-use assets	22,471,279	21,092,139
Goodwill	11,649,100	11,649,100
Customer relationships	16,062,957	16,925,260
Other intangible assets	2,901,274	2,948,351
Total Intangible assets	30,613,331	31,522,711
	283,502,541	281,772,621
Current assets		
Inventories	198,474,073	191,883,609
Trade receivables and other receivables	489,605,794	410,875,837
Advances and prepayments	7,124,369	3,847,896
Cash pooling intercompany receivables	614,827,142	583,820,497
Cash and cash equivalents	30,559,835	27,302,728
	1,340,591,213	1,217,730,566
Total assets	1,624,093,754	1,499,503,187
Equity		
Issued share capital	69,701,704	69,701,704
Share premium	24,964,506	24,964,506
Legal and other reserves	158,129,071	155,961,510
Revaluation reserve	67,069,892	67,069,892
Retained earnings	945,562,902	873,564,853
Total equity	1,265,428,074	1,191,262,465
Non-current liabilities		
Contract liability	-	-
Employee benefit liability	7,173,565	7,173,565
Deferred tax liability	6,088,000	5,556,704
Lease liabilities	13,784,511	13,894,126
Provisions	1,265,568	1,265,568
Total non-current liabilities	28,311,644	27,889,963
Current liabilities		
Contract liability	2,801,250	4,623,319
Trade payables and other payables	245,460,977	210,988,922
Income taxes payable	18,001,020	7,641,646
Short-term lease liability	8,816,306	7,261,482
Other current liabilities	51,690,672	46,251,580
Short-term provisions	3,583,810	3,583,810
Total current liabilities	330,354,035	280,350,759
Total liabilities	358,665,680	308,240,722
Total liabilities and equity	1,624,093,754	1,499,503,187

Financial statements for the period ended March 31, 2024 are not audited.

ZENTIVA S.A.
STATEMENT OF FINANCIAL POSITION
For the period ended March 31, 2024
(all amounts are expressed in RON, unless specified otherwise)

STATEMENT OF CASH FLOWS	31.03.2024	31.03.2023
Cash flows from operating activities:		
Profit before tax	85,056,279	52,424,496
Depreciation and amortization	7,440,138	7,272,413
Allowance for trade and other receivables, advances and prepayments	-	-
Inventory allowance movement	3,555,131	952,734
Movements in provisions for risks and charges	-	400,000
Loss on sale of non-current assets	2,382	5,685
Interest revenues	(9,006,645)	(9,915,279)
Interest expenses	305,790	414,330
Operating profit before working capital changes	87,353,075	51,554,379
Change in inventories	(10,145,595)	9,178,518
Change in trade, other receivable and advances	(74,881,859)	(109,215,709)
Change in trade and other payable	38,508,617	38,346,218
Interest paid	(305,790)	(414,330)
Cash generated from operating activities	40,528,448	(10,550,922)
Income tax paid	-	-
Net cash from operating activities	40,528,448	(10,550,922)
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(12,804,568)	(2,060,892)
Cash pooling movement	(31,006,645)	16,484,722
Interest received	9,006,645	9,915,279
Net cash from/ (used) in investing activities	(34,804,568)	24,339,109
Cash flows from financing activities		
Dividends paid	-	-
Lease payments	(2,466,772)	(2,852,510)
Net cash used in financing activities	(2,466,772)	(2,852,510)
Net increase (decrease) in cash and cash equivalents	3,257,107	10,935,676
Cash at the beginning of the period 1 January	27,302,728	11,190,679
Cash at the end of the period 31 March	30,559,835	22,126,356

ZENTIVA S.A.
STATEMENT OF CHANGES IN EQUITY
For the period ended March 31, 2024
(all amounts are expressed in RON, unless specified otherwise)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Legal and other reserves	Revaluation reserve	Retained earnings	Total
Opening balance at 1 January 2024	69,701,704	24,964,506	155,961,510	67,069,892	873,564,853	1,191,262,465
Profit for the year	-	-	-	-	74,165,609	74,165,609
Other comprehensive income:						
Deferred tax impact of other comprehensive income items	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	74,165,609	74,165,609
Reserve for reinvested profit	-	-	2,167,561	-	(2,167,561)	-
Closing balance at 31 March 2024	69,701,704	24,964,506	158,129,071	67,069,892	945,562,902	1,265,428,074

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.

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 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 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, 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 the percent 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 Administrated 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 Romanian 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.

The Company is listed on Bucharest Stock Exchange.

The Company has no investments in subsidiaries or associated companies as of 31 March 2024. The Company is part of a group and is at its turn consolidated in the Group's Financial Statements, the consolidated parent company being AI Sirona (Luxembourg) Acquisition S.a.r.l.

COMPANY'S MANAGEMENT as at March 31, 2024

Board of Directors

Simona Cocos - Chairman of the Board – starting with August, 2021
Margareta Tanase - Member of the Board - starting with April 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

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 approving the accounting regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market with all subsequent amendments and clarifications. These provisions are in line with the provisions of the International Financial Reporting Standards endorsed by the European Union, except for the provisions of IAS 21 The Effects of Changes in Foreign Exchange Rates regarding the functional currency, of IAS 20 Accounting of Government Grants regarding the recognition of revenue from green certificates, with the exception of IFRS 15 - Revenue from Contracts with Customers regarding the revenue from distribution network connection charges. In order to prepare these financial statements, in accordance with the Romanian legal provisions, the functional currency of the Company is considered to be the Romanian Leu (RON).

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.

On 31 March 2024, current assets of the Company exceed current liabilities by RON 1,010,237,177 (as of 31 December 2023 current assets exceeded current liabilities by RON 937,379,807). At the same date the Company recorded a profit for the year of RON 74,165,609 (2023: RON 192,615,832)

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

The 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.

Principles, policies and accounting methods

No significant changes occurred in the company's accounting policies and principles during the financial year concluded on March 31, 2024, compared to the accounting policies presented on December 31, 2023.

NOTE 3: SALES OF GOODS AND RENDERING OF SERVICES AND RAW MATERIAL AND CONSUMABLES EXPENSES

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 – 31 March 2024	1 January – 31 March 2023
Sales - domestic	159,669,429	107,443,088
Sales – external*	106,625,642	123,223,869
Total revenue	266,295,071	230,666,957
a) Rendering of services	13,106,552	13,614,463
b) Sales of goods, including:	253,188,518	217,052,494
Sales of finished goods	217,115,462	211,083,880
Sales of merchandise	52,167,355	21,888,848
Residual products	16,157	14,612
Claw back tax	(16,110,456)	(15,934,847)

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

Clawback tax

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

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

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

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

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.

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

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

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

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

3.2 Raw material expenses, merchandise, consumables used and utilities

	Note	1 January – 31 March 2024	1 January – 31 March 2023
Raw materials	a	52,556,119	59,791,310
Merchandise		26,041,909	29,608,129
Packaging materials	b	21,938,647	16,177,555
Auxiliary materials	c	4,156,347	3,940,236
Utilities	d	4,978,680	5,526,173
Other material expenses	e	3,237,647	1,839,160
Total		112,909,350	116,882,563

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.

NOTE 4: OTHER INCOME / OTHER EXPENSES AND ADJUSTMENTS

4.1 Other operating income

Other operating income	1 January – 31 March 2024	1 January – 31 March 2023
Gain/ loss from disposal of non-current assets	2,382	5,685
Other operating income	509,668	-
Total	512,050	5,685

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

4.2 Other operating expenses

	1 January – 31 March 2024	1 January – 31 March 2023
Support services received from Zentiva Group	10,906,182	11,109,206
Repairs	3,139,825	1,631,042
Royalties – Zentiva trademark	186,071	335,768
Travel expenses	1,653,219	552,787
Write-off of inventories	-	1,686,469
Taxes, registration fees	808,021	776,966
Professional fees	446,405	430,864
Other expenses	10,493,323	9,319,908
Net allowance for inventories	3,555,131	952,734
Net allowance for trade receivables and other receivables	-	-
Total	31,188,177	26,795,744

The expenses with support services from the Group include a large variety of services (see below) and have decreased in Q 1 2024 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.

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 Lugeră & 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 2024	408,125,701	11,649,100	34,492,101	41,601,245	9,498,075	505,366,222
Additions	12,735,100			3,490,363	69,467	16,294,930
Disposals	(24,547)					(24,547)
Transfers						
Gross value as at 31 March 2024	420,836,254	11,649,100	34,492,101	45,091,608	9,567,542	521,636,605
Depreciation and impairment as of 1 January 2024	(187,619,981)	-	(17,566,841)	(20,509,105)	(6,549,723)	(232,245,651)
Depreciation in the year	(4,350,067)		(862,303)	(2,111,223)	(116,545)	(7,440,138)
Disposals	24,245					24,245
Amortizare si depreciere de valoare la 31 March 2024	(191,945,803)	-	(18,429,143)	(22,620,329)	(6,666,268)	(239,661,543)
Net value as at 1 January 2024	220,505,720	11,649,100	16,925,260	21,092,139	2,948,351	273,120,570
Net value as at 31 March 2024	228,890,451	11,649,100	16,062,958	22,471,279	2,901,274	281,975,061

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.

NOTE 5: NON-CURRENT ASSETS (continued)

Fair value is generally determined by using inputs on level 3 of the fair value measurement hierarchy.

The inputs used in the valuation were:

a. *For buildings and special constructions:*

- level 3 inputs representing replacement costs, historic costs, historic cost update indexes, impairment adjustments - most of these being derived based on publicly available technical studies, respectively IROVAL Catalogues and the National Institute of Statistics (as opposed to data taken directly from the market), with impairment estimated by the valuer.

b. *For land:*

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

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

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

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

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

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 as of 31 December 2023 and respectively as of 31 December 2022 in accordance with IAS 36. The recoverable value of the CGU to which goodwill is allocated was significantly higher than the carrying value, so no impairment adjustments were identified. No reasonably possible change in the key assumptions on which management has based its determination of the recoverable value would cause the CGU's carrying amount to exceed its recoverable amount.

The recoverable value was determined based on the value in use following the application of the discounted cash flow method within the income approach, using management's assumptions, namely: future cash flows estimated by the management for 9 years (2024 – 2032) determined taking into account an average annual growth rate of net sales of 7.5% (2022: 7.4%), a perpetuity growth rate of 2.5% (2022: 2.5%), operating margin of 3.0% (2022: 4.5%) and a WACC of 14.5% for 2024, 11.6% for 2025 and 10.5% for the period 2026 - 2032.

NOTE 5: NON-CURRENT ASSETS (continued)

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

NOTE 6: INVENTORIES

	31 March 2024	31 December 2023
Merchandise	49,437,738	42,934,535
Finished products and semi-finished products	65,883,114	57,681,841
Raw materials	79,949,813	83,160,193
Package materials	20,474,778	21,823,278
Minus:		
Allowance for obsolete inventories	(17,271,370)	(13,716,239)
Total	198,474,073	191,883,609

The Company has no inventories pledged in favor of third parties as of 31 March 2024 and 31 December 2023 respectively.

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

Trade receivables and other receivables

	31 March 2024	31 December 2023
Total trade receivables, net, out of which:	488,378,759	409,688,292
Trade receivables *	276,180,857	279,501,113
Trade receivables from related parties	212,772,444	130,761,721
Minus:		
Allowance for expected credit losses	(574,542)	(574,542)
Total other receivables - net, out of which:	1,227,035	1,187,545
Recoverable taxes	1,386,085	1,343,305
Sundry debtors	-	3,290
Minus:		
Allowance for doubtful foreseen losses from other receivables	(159,050)	(159,050)
Total trade receivables and other receivables	489,605,794	410,875,837

	31 March 2023	31 December 2022
Advances and prepayments, out of which:		
Advances paid – current	2,524,919	1,072,091
Advances paid to related parties – current	-	-
Prepayments	3,873,179	1,637,924
Prepayments to related parties	726,271	1,137,881
Total advances and prepayments	7,124,369	3,847,896

In January 2019, the Company signed with FactoFrance SA a non-recourse factoring contract to finance the local receivables with the main Romanian distributors by buying on a non-recourse basis all the available receivables subject to the maximum limit covered by the Credendo and Coface insurer.

Starting October 2022, the Company decided to stop selling new receivables to FactoFrance. In the period following October 2022, only repayments were made. In March 2023 the factoring agreement with FactoFrance was closed.

Trade receivables are not interest-bearing and are generally on 60 - 120 days terms (2023: 60 - 120 days terms).

NOTE 7: TRADE RECEIVABLES AND OTHER RECEIVABLES; ADVANCES AND PREPAYMENTS (continued)

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

Value adjustments	31 March 2024	31 December 2023
Opening Balance	(733,592)	(481,785)
Set-up	-	(257,047)
Uses	-	5,240
Closing Balance	(733,592)	(733,592)

NOTE 8: CASH AND CASH EQUIVALENTS

	31 March 2024	31 December 2023
Cash at banks and on hand	30,559,835	27,302,728
Total	30,559,835	27,302,728

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 March 2024, the Company had letters of guarantee issued in favor of third parties amounting to RON 26,160 (2023: RON 26,160).

As of 31 March 2024 and 31 December 2023 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 2024 and 2023 the Company participated in a cash pooling agreement with AI Sirona (Luxembourg) Acquisition SARL (the ultimate parent entity of Zentiva Group, a.s.). Through the cash pooling arrangements AI Sirona (Luxembourg) Acquisition SARL manages centrally the surplus cash and the short-term liquidity needs of the subsidiaries. The cash deposits/drawdowns under the cash pooling agreement are subject to interest rates based on 3M ROBOR rate and applicable mark-up based on valid Group transfer pricing policy.

The total interest income for cash-pooling transactions during the year is in the amount of RON 9,006,645 (31.03.2023: interest income in the amount of RON 9,915,279).

As of March 31, 2024 the balance of cash pooling deposit is RON 614,827,142 (December, 31 2023: RON 583,820,497).

NOTE 10: ISSUED CAPITAL AND RESERVES

Share Capital

	31 March 2024	31 December 2023
	Number	Number
Ordinary shares subscribed capital	697,017,040	697,017,040

	31 March 2024	31 December 2023
	RON / share	RON / share
Ordinary shares nominal value	0.1	0.1

	31 March 2024	31 December 2023
	RON	RON
Share capital	69,701,704	69,701,704

The company's share capital is fully paid on March 31, 2024 and December 31, 2023.

NOTE 10: ISSUED CAPITAL AND RESERVES (continued)

Redeemable shares

The company does not own redeemable shares on March 31, 2024 and December 31, 2023.

Bonds

The company does not have bonds issued on March 31, 2024 and December 31, 2023.

Shareholding structure

	31 March 2024 (%)	31 December 2023 (%)
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:	31 March 2024	31 December 2023
Legal reserves	13,940,341	13,940,341
Other reserves (other funds)	144,188,730	142,021,169
Revaluation reserves	67,069,892	67,069,892
Retained earnings	945,562,902	873,564,853
Total other reserves	1,170,761,865	1,096,596,256

NOTE 11: PROVISIONS

	Provisions for litigations	Provisions for taxes	Environmental provision	Other provisions	Total
On 1 January 2024	-	3,583,810	1,265,568	-	4,849,378
Increase	-	-	-	-	-
Reversal	-	-	-	-	-
On 31 March 2024	-	3,583,810	1,265,568	-	4,849,378
Current	-	3,583,810	-	-	3,583,810
Long term	-	-	1,265,568	-	1,265,568

Tax provisions

As at 31 December 2024, 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.

NOTE 11: PROVISIONS (continued)

Environmental provisions

Environmental provisions were reassessed by specialists during 2021, so that the provision as of December 31, 2023 and March 31, 2024 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;
- 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 March 31, 2024 and December 31, 2023 these provisions are in total amount of RON 7,173,565.

NOTE 13: TRADE PAYABLES AND OTHER PAYABLES

Trade payables and other payables

	31 March 2024	31 December 2023
Trade payables	80,365,037	83,782,862
Trade payables to related parties	165,095,940	127,206,060
Other liabilities	-	-
Total	245,460,977	210,988,922

Other current liabilities

	31 March 2024	31 December 2023
Wages and salaries payable	18,032,960	19,650,365
Social security contributions and salary taxes	7,986,017	4,380,866
Claw back tax (*)	17,418,163	14,164,344
Other taxes	3,273,792	3,078,401
Other liabilities	4,979,740	4,977,605
Total	51,690,672	46,251,580

NOTE 14: RELATED PARTY DISCLOSURE

Details about related parties:

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

NOTE 14: RELATED PARTY DISCLOSURE (continued)

Payables and receivables from affiliated entities and other related parties

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

	31 March 2024	31 December 2023
Labormed Pharma Trading SRL	16,801,063	14,143,516
Labormed Pharma SA	2,046,693	1,773,605
Zentiva K.S.	176,060,949	100,409,533
Zentiva Group A.S.	17,863,739	14,416,422
Zentiva Pharma UK Limited	-	18,645
Total	212,772,444	130,761,721
Zentiva K.S. – prepayments	726,271	1,137,881
Total	213,498,715	131,899,602

Al Sirona (Luxembourg) Acquisition S.à.r.l – cash pooling	614,827,142	583,820,497
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➤ **Payables to the affiliated entities / other related parties**

	31 March 2024	31 December 2023
Labormed Pharma Trading SRL	10,882,129	14,407,094
Labormed Pharma SA	4,597,884	4,059,371
Zentiva K.S.	106,429,879	75,221,926
Zentiva Group A.S	40,997,941	31,931,012
Zentiva Pharma GMBH	324,725	325,058
Zentiva Italia	507,907	507,890
Zentiva Private LTD	1,355,474	753,709
Total	165,095,940	127,206,060

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

➤ **Sales of goods and services**

	31 March 2024	31 March 2023
Labormed Pharma Trading SRL	5,923,199	8,495,988
Labormed Pharma SA	5,288,079	706,787
Zentiva K.S.	90,011,541	113,053,555
Zentiva Group A.S	3,458,556	2,811,200
Total	104,681,375	125,067,531

NOTE 14: RELATED PARTY DISCLOSURE (continued)

➤ **Purchase of goods and services**

	31 March 2024	31 March 2023
Labormed Pharma Trading SRL	2,792,146	1,465,983
Labormed Pharma SA	450,028	216,640
Zentiva K.S.	41,968,680	39,113,296
Zentiva Group A.S.	7,435,648	8,875,607
Zentiva Italia	-	51,291
Zentiva Private LTD	601,765	219,334
Total	53,248,267	49,942,151

NOTE 15: FINANCIAL RATIOS

Ratio Name	Formula	31 March 2024	31 March 2023
Current Liquidity Ratio	Current Assets / Current Liabilities	4.1	4.7
Indebtedness Ratio	Long Term Debt / Shareholders' Equity x 100	0%	0%
Debtors Days Ratio	Average Customers Balance / Turnover x 90	152	82
Assets Turnover Ratio	Turnover / Non Current Assets	0.9	0.9

The current liquidity ratio has decreased compared to the same period last year. As of March 31, 2024, the current liquidity indicator is 4.1 (March 31, 2023: 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 increased 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 March 31, 2024.

Administrator,
Cocos Simona

Signature

Prepared by,
Nitulescu Daniel
Chief Financial Officer

Signature