

Annual Report 2021

Zentiva Group, a.s.

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Introduction

Zentiva Group, a.s. (originally Al Sirona Bidco s.r.o.), business registration number (IČ): 072 54 792 was established on 29 June 2018 based on a decision of the sole shareholder, Al Sirona (Luxembourg) Acquisition S.à r.l., with its registered office located at Luxembourg, Grand Duchy of Luxembourg.

Upon the intrastate merger by acquisition with Zentiva Group, a.s., business registration number (IČ): 28446640 (“the original Zentiva Group”), Al Sirona Bidco s.r.o., business registration number (IČ): 07254792, became the successor company as at 30 November 2019. At the same time, pursuant to the Project of merger by acquisition dated 7 November 2019, as amended by the addendum dated 11 December 2019, the successor company Al Sirona Bidco was renamed to Zentiva Group and its legal form was changed from the original limited liability company to a joint stock company.

The original scope of business of Al Sirona Bidco s.r.o., business registration number (IČ): 072 54 792 was maintaining holdings in Zentiva group companies. As at the date of the merger, it held ownership interests in Zentiva Group, a.s., business registration number (IČ): 28446640 and Zentiva, k.s.

The main line of business of merged Zentiva Group, a.s., subsequently assumed by successor Zentiva Group, a.s., is the provision of management, technical and advisory support for Zentiva group companies, with focus on management, sales, marketing, ITC, manufacturing, logistics, human resources, accounting, taxes, product registration, project management of developing new products and operational management of the generics platform, as well as management of the Zentiva trademark and of other licenses acquired for the production of generic pharmaceuticals.

In May 2019, Zentiva group invested into Solacium Pharma s.r.l. and Be Well Pharma s.r.l. (acquisition of 100% equity interest) trading in over-the-counter medicines on the Romanian market and complemented its business in this field.

In 2020, the Alvogen group was acquired along with a factory for medicaments manufacturing in India by the Group.

The Company is a controlled company of Al Sirona (Luxembourg) Acquisition S.à r.l., with its registered office at rue des Capucins 5, Luxembourg, L-1313, registration number B 223382.

Occupational health and safety and environmental protection policy

Zentiva Group, a.s., aspires to be a healthy company in terms of its impact on the living and working environment. One of the key values that the Company strives to meet in the long run is to ensure a high standard of occupational health and safety and environmental protection. Naturally, the Company provides ongoing training to employees and conducts continuous monitoring of business processes to make sure they support this policy. Zentiva Group, a.s., regularly organizes preventive or educational events for its employees.

The Company meets the requirements and commitments declared in the HSE (Health, Safety and the Environment) Policy, implements the strategy of continuous improvement of occupational health and safety and environmental protection and timely and consistently fulfills all legal limits and obligations in this area.

The preventive approach to occupational health and safety and environmental protection remains one of the main priorities of Zentiva group.

Research and development

The Company carries out no research and development activities. The Company only helps with technical project management within the group in the framework of its management activities.

Acquisition of treasury shares or equity interests

In 2021, the Company did not acquire any own shares or ownership interests.

Branch or affiliate abroad

As at 31 December 2021, the Company operated four branches abroad. They are Zentiva Group. a.s. branches in Estonia, Lithuania, Latvia and Bulgaria. During 2022, the Bulgaria branch was closed.

Prospects for 2022

The generic drugs business in Europe, including the Czech Republic is stable, profitable and the Zentiva group ranks amongst major players in the market.

The main objective of Zentiva Group, a.s., in the following years continues to be integrating new acquisitions into the group structure.

In 2021 and 2020, COVID-19, the coronavirus infection affected the public in Europe, which is the end customer of the Zentiva Group, and had a significant impact on the global economy as well.

Zentiva adapts rapidly to changing circumstances, maintaining and increasing the level of customer service during significant fluctuations in market demand.

The group's primary responsibility is to pro-actively work with government entities and health authorities in all countries where Zentiva operates.

In response to the pandemic, the group enhanced its supply of pain and fever medicines as well as disinfectants on the market, and introduced a number of operational measures to minimize production, market and credit risks.

The group will continue to assess and address potential risks to align supply with market demand and mitigate or reduce any adverse impact on the supply chain, customers or other areas.

Subsequent Events

The military invasion of Ukraine on 24 February 2022 took place after the end of the reporting period. Exceptional geopolitical tensions, escalating energy prices, international sanctions imposed on Russia and a number of related uncertainties may adversely affect the Group's operations in 2022. The sales currently affected represent 6% of the Group's total sales and a slightly higher percentage in terms of operating profit. There is no doubt about the Group's ability to continue as a going concern. Broader economic and political implications continue to be closely monitored and addressed by management.

As Zentiva Ukraine's activities have now shifted to humanitarian support and the supply of medicines to Russia is subject to significant uncertainties, certain assumptions regarding the development of these markets may differ from the original estimates and assumptions applied by management in the process of preparing the 2021 financial statements.

Other Matters

The Company discloses no information under special legislation.

In Prague, 21 June 2022

A handwritten signature in blue ink, consisting of several overlapping loops and a final horizontal stroke.

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Kenneth Lynard
Statutory Body of the Company

Zentiva Group, a.s.

**REPORT ON RELATIONS BETWEEN A CONTROLLING AND CONTROLLED
ENTITY AND BETWEEN THE CONTROLLED ENTITY
AND OTHER ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY
FOR 2021**

This report has been prepared by management in compliance with the provision of Section 82 of Act No. 90/2012 Coll. on Corporations and Cooperatives.

The report has been prepared for the reporting period ended 31 December 2021.

The structure of relations between related parties is included in Appendix 1.

The core function of Zentiva Group, a.s., is the provision of management, technical and advisory support for Zentiva Group companies, with focus on management, sales, marketing, ITC, manufacturing, logistics, human resources, finances, product registration, development and purchase of new products, as well as management of the Zentiva trademark and of other licenses acquired for the production of generics pharmaceuticals.

The amount of receivables and liabilities as at 31 December 2021 as well as the volume of purchases from and sales to related parties is disclosed in Note 19 to the financial statements.

The following contracts/agreements were in place between the Company and the controlled persons within the Group:

1. Contracts/agreements used for procurement

<u>Transaction</u>	<u>Partner</u>	<u>Contract</u>
Administrative support	Zentiva, k.s.	Services agreement
IT	Zentiva S.A.	Service agreement
Support services and rebilling of costs	Zentiva, k.s.	Framework contract for the provision of services and rebilling of costs within the Group

2. Contracts/agreements used for sales

<u>Transaction</u>	<u>Partner</u>	<u>Contract</u>
Provision of technical and administrative services	Zentiva, k.s.	Framework agreement for the provision and coordination of services
	Zentiva, a.s.	Framework agreement for the provision and coordination of services
	Zentiva S.A.	Framework agreement for the provision and coordination of services
Provision of rights to use trademark	Zentiva, k.s.	License agreement
	Zentiva, a.s.	License agreement
	Zentiva S.A.	License agreement
Provision of rights to use pharmaceutical know-how (dossier)	Zentiva, k.s.	License agreement for know-how
Marketing services	Zentiva, k.s.	Contracts for the provision of promotional services (concluded with foreign branches of the provider Zentiva Group, a.s.)
Rebiling of costs	Alvogen Pharma Trading Europe EOOD	Framework contract for rebilling of costs
Support services and rebilling of costs	Zentiva, k.s.	Framework contract for the provision of services and rebilling of costs within the Group

3. Method and means of control

Al Sirona (Luxembourg) Acquisition S.à.r.l. controls Zentiva Group, a.s. in a way that it is sole shareholder and therefore holds a 100% share in the voting rights. Due to this share of voting rights, Al Sirona (Luxembourg) Acquisition S.à.r.l. can appoint or dismiss all members of the statutory body of the controlled entity.

4. Financial services related contracts

<u>Transaction</u>	<u>Partner</u>	<u>Contract</u>
Received loan	Al Sirona (Luxembourg) Acquisition S.a.r.l.	Intercompany loan contract
Cash Pooling	Al Sirona (Luxembourg) Acquisition S.à r.l.	Cash pool agreement


The aforementioned contracts/agreements were entered into in compliance with the respective legislation. All the foregoing contracts/ agreements were made under standard commercial terms.

A number of advantages steam from relations between related parties, the most significant advantages are:

- Ensuring of sales of own services and use of trademarks and licenses
- Easier access to financing
- Advantages related to membership in the pan-European group, e.g. procurement of materials or services from suppliers

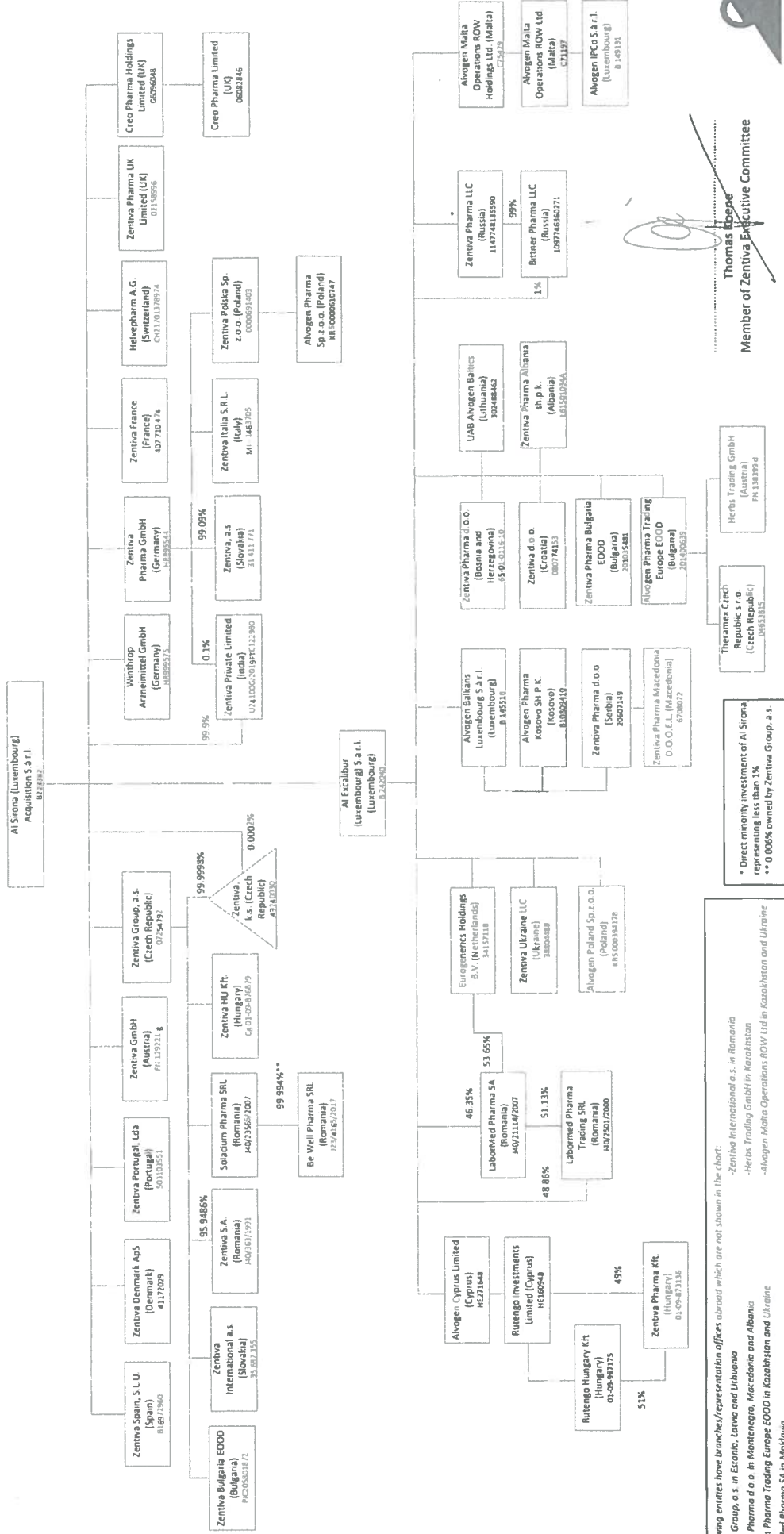
The Company incurred no damage from the foregoing relations and transactions.

In Prague, 29 March 2022


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Kenneth Lynard
Statutory Body of the Company

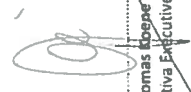
Zentiva group as of 31 December 2021

(100% shareholding if not stated otherwise)



The following entities have branches/representation offices abroad which are not shown in the chart:
 -Zentiva International o.s. in Romania
 -Zentiva Group, a.s. in Estonia, Latvia and Lithuania
 -Zentiva Pharma d.o.o. in Montenegro, Macedonia and Albania
 -Avogon Pharma Trading Europe EOOD in Kazakhstan and Ukraine
 -LaborMed Pharma SA in Moldova

* Direct minority investment of AI Sirona representing less than 1%
 ** 0.006% owned by Zentiva Group, a.s.


 Thomas Kloppe
 Member of Zentiva Executive Committee



Zentiva Group, a.s.

Financial Statements for the year ended 31 December 2021

(Translation of Financial Statements Originally Issued in Czech –
See Note 2 to the Financial Statements)

BALANCE SHEET

		Current year			Prior year 2020
		Gross	Allowances	Net	Net
TOTAL ASSETS		42,972,499	(10,184,987)	32,787,512	34,511,437
A.	STOCK SUBSCRIPTION RECEIVABLE				
B.	FIXED ASSETS	41,609,130	(10,184,987)	31,424,143	32,895,128
B. I.	Intangible fixed assets	2,883,820	(1,845,885)	1,037,935	1,086,055
B. I. 1.	Development				
2.	Valuable rights	2,603,662	(1,788,639)	805,023	870,967
1.	Software	1,896,230	(1,151,179)	745,051	806,474
2.	Other valuable rights	707,432	(647,460)	59,972	64,493
3.	Goodwill				
4.	Other intangible fixed assets	21,266	(9,156)	12,110	15,654
5.	Advances granted for intangible fixed assets and intangible fixed assets in progress	258,892	(38,090)	220,802	199,434
1.	Advances granted for intangible fixed assets				
2.	Intangible fixed assets in progress	258,892	(38,090)	220,802	199,434
B. II.	Tangible fixed assets	17,153,131	(8,217,147)	8,935,984	10,050,826
B. II. 1.	Land and structures	553,641	(381,509)	172,132	191,272
1.	Land				
2.	Structures	553,641	(381,509)	172,132	191,272
2.	Movable assets and sets of movable assets	252,714	(234,669)	18,045	19,806
3.	Gain or loss on revaluation of acquired property	16,338,248	(7,600,969)	8,737,279	9,826,495
4.	Other tangible fixed assets	6,120	0	6,120	6,120
1.	Perennial crops				
2.	Livestock				
3.	Miscellaneous tangible fixed assets	6,120	0	6,120	6,120
5.	Advances granted for tangible fixed assets and tangible fixed assets in progress	2,408	0	2,408	7,133
1.	Advances granted for tangible fixed assets	47	0	47	0
2.	Tangible fixed assets in progress	2,361	0	2,361	7,133
B. III.	Long-term investments	21,572,179	(121,955)	21,450,224	21,758,247
B. III. 1.	Interests – controlled or controlling entity	21,572,179	(121,955)	21,450,224	21,758,247
2.	Loans and borrowings – controlled or controlling entity				
3.	Interests – significant influence				
4.	Loans and borrowings – significant influence				
5.	Other long-term securities and interests				
6.	Loans and borrowings – other				
7.	Other long-term investments	0	0	0	0
1.	Miscellaneous long-term investments				
2.	Advances granted for long-term investments				
C.	CURRENT ASSETS	1,000,954	0	1,000,954	1,334,150
C. I.	Inventories	0	0	0	0
C. I. 1.	Materials				
2.	Work in progress and semi-finished production				
3.	Finished products and goods	0	0	0	0
1.	Finished products				
2.	Goods				
4.	Livestock				
5.	Advances granted for inventories				
C. II.	Receivables	961,420	0	961,420	1,195,522
C. II. 1.	Long-term receivables	271,926	0	271,926	593,276
1.	Trade receivables				
2.	Receivables – controlled or controlling entity				
3.	Receivables – significant influence				
4.	Deferred tax asset	271,926	0	271,926	593,276
5.	Other receivables	0	0	0	0
5.1.	Receivables from partners				
5.2.	Long-term advances granted			0	
5.3.	Unbilled revenue				
5.4.	Miscellaneous receivables				

Zentiva Group, a.s. as at 31 December 2021

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

BALANCE SHEET

		Current year			Prior year 2020
		Gross	Allowances	Net	Net
C. II. 2.	Short-term receivables	689,494	0	689,494	602,248
1.	Trade receivables	138,756		138,756	430,723
2.	Receivables – controlled or controlling entity				20,003
3.	Receivables – significant influence				
4.	Other receivables	550,738	0	550,738	151,520
4.1.	Receivables from partners	498,065		498,065	
4.2.	Social security and health insurance				
4.3.	Due from government - tax receivables				
4.4.	Short-term advances granted	489		489	1,258
4.5.	Unbilled revenue	52,112		52,112	143,220
4.6.	Miscellaneous receivables	72		72	7,042
C. III.	Short-term financial assets	0	0	0	0
1.	Interests - controlled or controlling entity				
2.	Other short-term financial assets				
C. IV.	Cash	39,534	0	39,534	138,628
1.	Cash in hand				
2.	Cash at bank	39,534		39,534	138,628
D.	Prepaid expenses and accrued income	382,415	0	382,415	282,159
D. 1.	Prepaid expenses	72,855		72,855	55,657
2.	Prepaid expenses (specific-purpose expenses)				
3.	Accrued income	289,560		289,560	226,502

The accompanying income statement, cash flow statement, statement of changes in equity and notes are an integral part of the financial statements.

Zentiva Group, a.s. as at 31 December 2021
Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

BALANCE SHEET

		Current year	Prior year 2020
TOTAL EQUITY & LIABILITIES		32,787,512	34,511,437
A.	EQUITY	1,987,416	3,114,687
A. I.	Basic capital	20,050	20,050
A. I. 1.	Registered capital	20,050	20,050
2.	Own ownership interests (-)		
3.	Changes in basic capital		
A. II.	Share premium and revaluation reserve	7,004,935	7,300,965
A. II. 1.	Share premium		
2.	Capital funds	7,004,935	7,300,965
1.	Other capital funds	7,273,983	7,273,983
2.	Gain or loss on revaluation of assets and liabilities (+/-)	(269,048)	26,982
3.	Gain or loss on revaluation upon corporate transformation (+/-)		
4.	Differences arising on corporate transformation (+/-)		
5.	Differences arising between balance sheet date and transformation date (+/-)		
A. III.	Reserves from profit	3,450	3,450
A. III. 1.	Other reserves		
2.	Statutory and other reserves	3,450	3,450
		0	0
A. IV.	Profit (loss) brought forward (+/-)	(4,209,797)	(1,214,384)
IV. 1.	Retained earnings	(4,209,797)	(1,214,384)
2.	Other profit (loss) brought forward (+/-)		
A. V.	Profit (loss) for the year (+/-)	(831,222)	(2,995,414)
A. VI.	Approved decision on advances for profit distribution (-)	0	0
B. + C.	PROVISIONS AND LIABILITIES	30,674,006	31,212,062
B.	Provisions	17,645	19,390
B. 1.	Provision for pensions and similar obligations		
2.	Provision for corporate income tax		
3.	Provisions recognized under special legislation		
4.	Other provisions	17,645	19,390
C.	Liabilities	30,656,361	31,192,702
C. I.	Long-term liabilities	26,052,398	27,117,048
1.	Bonds payable		
1.	Convertible bonds		
2.	Other bonds		
2.	Amounts owed to credit institutions		
3.	Long-term advances received		
4.	Trade payables		
5.	Long-term notes payable		
6.	Liabilities – controlled or controlling entity	26,052,398	27,117,048
7.	Liabilities – significant influence		
8.	Deferred tax liability		
9.	Other liabilities		
1.	Liabilities to partners		
2.	Unbilled deliveries		
3.	Miscellaneous liabilities		
C. II.	Current liabilities	4,603,963	4,075,654
1.	Bonds payable		
1.	Convertible bonds		
2.	Other bonds		
2.	Amounts owed to credit institutions		
3.	Short-term advances received		
4.	Trade payables	172,260	174,676
5.	Short-term notes payable		
6.	Liabilities – controlled or controlling entity	4,145,317	3,454,306
7.	Liabilities – significant influence		
8.	Other liabilities	286,388	446,672
1.	Liabilities to partners		217,928
2.	Short-term borrowings		
3.	Liabilities to employees	33,401	33,532
4.	Liabilities arising from social security and health insurance	13,279	13,630
5.	Due to government – taxes and subsidies	14,951	14,235
6.	Unbilled deliveries	223,543	166,142
7.	Miscellaneous liabilities	1,212	1,205
D.	Accruals and deferred income	126,090	184,678
D. 1.	Accruals	126,090	152,652
2.	Deferred income		32,026

The accompanying income statement, cash flow statement, statement of changes in equity and notes are an integral part of the financial statements

Zentiva Group, a.s. for the year ended 31 December 2021
Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

INCOME STATEMENT

		Current year	Prior year 2020
I.	Revenue from sale of finished products and services	2,289,468	2,316,228
II.	Revenue from sale of goods		
A.	Production-related consumption	807,151	959,349
A.1.	Cost of goods sold		
A.2.	Consumption of material and energy	32,761	35,496
A.3.	Services	774,390	923,853
B.	Change in Inventory produced Internally (+/-)	0	0
C.	Own work capitalized (-)	0	0
D.	Personnel expenses	839,602	862,386
D.1.	Wages and salaries	653,039	671,776
D.2.	Social security and health insurance costs and other costs	188,563	190,610
D.2.1.	Social security and health insurance costs	175,837	178,608
D.2.2.	Other costs	10,726	12,002
E.	Value adjustments in respect of operating activities	1,531,055	1,405,427
E.1.	Value adjustments in respect of intangible and tangible fixed assets	1,531,055	1,405,427
E.1.1.	Value adjustments in respect of intangible and tangible fixed assets - permanent	1,531,055	1,415,370
E.1.2.	Value adjustments in respect of intangible and tangible fixed assets - temporary		(9,043)
E.2.	Value adjustments in respect of inventory		
E.3.	Value adjustments in respect of receivables		
III.	Other operating income	35,929	23,026
III.1.	Income from sale of fixed assets	216	746
III.2.	Income from sale of materials		
III.3.	Miscellaneous operating income	35,713	22,280
F.	Other operating expenses	25,242	34,584
F.1.	Net book value of fixed assets sold	171	2,666
F.2.	Net book value of materials sold		
F.3.	Taxes and charges relating to operations	15,392	14,129
F.4.	Provisions relating to operations and prepaid expenses (specific-purpose expenses)	(1,746)	2,657
F.5.	Miscellaneous operating expenses	11,425	15,132
*	Profit or loss on operating activities (+/-)	(877,653)	(922,482)
IV.	Income from long-term investments - interests	0	22,708
IV.1.	Income from interests in subsidiaries or parents		22,708
IV.2.	Other income from interests		
G.	Cost of interests sold	0	0
V.	Income from other long-term investments	720,730	48,349
V.1.	Income from other long-term investments - subsidiaries or parents	4,737	
V.2.	Other income from other long-term investments	715,993	48,349
H.	Expenses relating to other long-term investments	0	0
VI.	Interest receivable and similar income	15	625
VI.1.	Interest receivable and similar income - subsidiaries or parents		281
VI.2.	Other interest receivable and similar income	15	344
I.	Value adjustments and provisions relating to financial activities	5,663	7,560
J.	Interest payable and similar expenses	1,719,710	1,743,040
J.1.	Interest payable and similar expenses - subsidiaries or parents	1,719,703	1,743,022
J.2.	Other interest payable and similar expenses	7	18
VII.	Other finance income	1,424,875	673,789
K.	Other finance cost	46,137	1,331,059
*	Profit or loss on financial activities (+/-)	374,110	(2,336,208)
**	Profit or loss before taxation (+/-)	(503,543)	(3,258,700)

The accompanying balance sheet, cash flow statement, statement of changes in equity and notes are an integral part of the financial statements

Zentiva Group, a.s. for the year ended 31 December 2021
Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

INCOME STATEMENT

		Current year	Prior year 2020
L.	Income tax	327,679	(263,288)
L.1.	Income tax due		3,705
L.2.	Income tax deferred (+/-)	327,679	(266,991)
**	Profit or loss after taxation (+/-)	(831,222)	(2,995,414)
M.	Transfer of share of profit or loss to partners (+/-)	0	0
***	Profit or loss for the year (+/-)	(831,222)	(2,995,414)
*	Net turnover	4,471,017	3,084,735

The accompanying balance sheet, cash flow statement, statement of changes in equity and notes are an integral part of the financial statements.

Zentiva Group, a.s. for the year ended 31 December 2021
Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

CASH FLOW STATEMENT

For the years ended 31 December 2021 and 2020

		Current year	Prior year 2020
Cash flows from operating activities			
Z.	Profit or loss on ordinary activities before taxation (+/-)	(503,543)	(3,258,700)
A. 1.	Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	1,860,412	3,842,797
A. 1. 1.	Depreciation and amortization of fixed assets and write-off of receivables	1,531,055	1,416,408
A. 1. 2.	Change in allowances	5,663	(2,355)
A. 1. 3.	Change in provisions	(1,745)	(4,174)
A. 1. 4.	Foreign exchange differences	(1,389,474)	511,291
A. 1. 5.	(Gain)/Loss on disposal of fixed assets	(4,782)	(20,788)
A. 1. 6.	Interest expense and interest income	1,719,695	1,742,415
A. 1. 7.	Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)		
A *	Net cash from operating activities before taxation, changes in working capital and extraordinary items	1,356,869	384,097
A. 2.	Change in non-cash components of working capital	303,371	(299,301)
A. 2. 1.	Change in inventory		
A. 2. 2.	Change in trade receivables	293,191	94,295
A. 2. 3.	Change in other receivables and in prepaid expenses and unbilled revenue	18,030	(227,059)
A. 2. 4.	Change in trade payables	47,026	(159,328)
A. 2. 5.	Change in other payables, and in accruals and deferred income	(54,876)	(7,209)
A **	Net cash from operating activities before taxation, interest paid and extraordinary items	1,860,240	84,796
A. 3. 1.	Interest paid	(1,666,786)	(1,743,040)
A. 4. 1.	Income Tax paid		174,446
A ***	Net cash provided by (used in) operating activities	(6,546)	(1,483,798)
Cash flows from investing activities			
B. 1. 1.	Purchase of fixed assets	(410,679)	(388,269)
B. 2. 1.	Proceeds from sale of fixed assets	4,906	23,454
B. 3. 1.	Loans granted	20,003	859,264
B. 4. 1.	Interest received	15	625
B. 5. 1.	Dividends received		
B ***	Net cash provided by (used in) investing activities	(385,755)	495,074
Cash flows from financing activities			
C. 1.	Change in long-term liabilities, and long-term and short-term loans	299,537	997,076
C. 2. 1.	Effect of other changes in equity on cash		
C. 2. 2.	Profit shares paid		
C. 2. 3.	Effect of other changes in own capital on cash	(6,330)	0
C ***	Net cash provided by (used in) financing activities	293,207	997,076
F.	Net increase (decrease) in cash	(99,084)	8,352
P.	Cash and cash equivalents at beginning of year	138,628	130,276
R.	Cash and cash equivalents at end of year	39,534	138,628

The accompanying balance sheet, income statement, statement of changes in equity and notes are an integral part of the financial statements.

Zentiva Group, a.s. for the year ended 31 December 2021

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

STATEMENT OF CHANGES IN EQUITY

	Number of shares	Basic capital	Other capital funds	Legal reserve fund	Retained earnings/ accumulated loss (+/-)	Other profit (loss) brought forward (+/-)	Profit (loss) for the year (+/-)	Total
Balance as of 1. 1. 2020	1	20,050	7,273,983	3,450	1,796,501	(421,384)	(2,589,492)	6,087,646
Transfer of profit or loss		0	0	0	(3 010 885)	421.394	2 589,492	1
Increase / Reduction of the registered capital		0	0	0	0	0	0	
Contribution outside the registered capital		0	0	0	0	0	0	0
Profit (loss) for the year		0	0	0	0	0	(2 995 414)	(2 995 414)
Dividend payment		0	0	0	0	0	0	0
Correction of prior year error/ Change of accounting method		0	0	0	0	0	0	
Other - adjust as necessary (e.g. hedging, etc.)		0	0	0	0	0	0	22 434
Balance as of 31. 12. 2020	1	20,050	7,273,983	3,450	(1,214,384)	0	(2,995,414)	3,114,666
Transfer of profit or loss					(2 995 414)		2 995 414	0
Increase / Reduction of the registered capital								
Contribution outside the registered capital								0
Profit (loss) for the year							(831 222)	(831 222)
Dividend payment								0
Correction of prior year error/ Change of accounting method								
Other - adjust as necessary (e.g. hedging, etc.)								(296 028)
Balance as of 31. 12. 2021	1	20,050	7,273,983	3,450	(4,209,799)	0	(831,222)	1,987,416

The accompanying balance sheet, income statement, cash flow statement and notes are an integral part of the financial statements.

Zentiva Group, a.s.

Financial Statements for the year ended 31 December 2021

1. DESCRIPTION OF THE COMPANY

Zentiva Group, a.s. ("the Company") is a joint stock company with its registered office located at U kabelovny 529/16, Dolní Měcholupy, 102 00 Prague 10, Czech Republic, business registration number (IČ): 07254792; as the successor company, it assumed upon the intrastate merger by acquisition all the assets of Zentiva Group, a.s., with its registered office located at Prague 10 – Dolní Měcholupy, U kabelovny 130, 102 37, Republic, business registration number (IČ): 28446640, being the dissolving company. In addition, the successor company Zentiva Group, a.s. (formerly Al Sirona Bidco s.r.o.) changed its legal form from the limited liability company to the joint-stock company on the basis of the Project of merger by acquisition dated 7 November 2019, as amended by the addendum dated 11 December 2019. The merger decisive date was 1 January 2019.

From 2009 to 2018, the Company was part of the global Sanofi group. On 1 October 2018, Sanofi's European generics business was sold to Advent International.

Within the disposal process, the companies belonging to the Zentiva group were carved-out of the Sanofi structure (including Zentiva Group a.s.). This process gave also rise to branches aimed at supporting the distribution of generics on the markets in Bulgaria, Latvia, Lithuania and Estonia.

The main line of business of Zentiva Group, a.s. is the provision of management, technical and advisory support for the Zentiva Group, with focus on sales, marketing, ITC, manufacturing, logistics, human resources, accounting, taxes, product registration, project management of developing new products and operational management of the generics platform, as well as management of purchased licenses acquired for the production of generic pharmaceuticals and administration of the Zentiva trademark.

The Company's branches are as follows:

1. ZENTIVA BULGARIA BRANCH – with its registered office at: Iskarsko Shosse Blvd. 7, Trade Center Evropa, Building 15, 4th floor, 1528 Sofia, Bulgaria (BG)
2. Zentiva Group, a.s. Eesti filiaal – with its registered office at: Tartu mnt 13, 10145 Tallinn, Estonia (EE)
3. Zentiva Group, a.s. filiāle Latvijā – with its registered office at: Ģertrūdes iela 10-10, Rīga, 1010 Latvia (LV)
4. Zentiva Group, a.s. Lietuvos filialas with its registered office at: Logailos str. 9, Vilnius, Lithuania (LT)

As at 1 July 2020, the assets of the ZENTIVA BULGARIA BRANCH were sold to ALVOGEN PHARMA BULGARIA EOOD; the branch was liquidated as at 11 January 2022.

Since 2018, the parent company and the sole shareholder is Al Sirona (Luxembourg) Acquisition S.a.r.l., with its registered office at 1313 Luxembourg, 5 rue des Capucins, the Grand Duchy of Luxembourg.

Statutory body – Board of Directors as at 31 December 2021:

<u>Board of Directors of Zentiva Group, a.s.</u>	
Chair:	Nicholas Robert Haggart
Member:	Thomas Cornelis Koene
Member:	Martin Albert
Member:	Paul Geymayer
Member:	Kenneth Lynard
Member:	Safak Oner

Zentiva Group, a.s.

Financial Statements for the year ended 31 December 2021

Statutory body – Board of Directors as at 31 December 2020:

Board of Directors of Zentiva Group, a.s.	
Chair:	Nicholas Robert Haggar
Member:	Thomas Cornelis Koene
Member:	Martin Albert
Member:	Paul Geymayer
Member:	Kenneth Lynard
Member:	Xavier Lasserre

The Board of Directors acts on behalf of the Company toward third parties, courts and other public authorities. Each Board member acts independently.

Changes in the composition of the Zentiva Group, a.s.'s statutory body in 2021 were as follows:

As at 28 July 2021, Safak Oner was appointed a Board of Directors member while Xavier Lasserre's term of office ceased to exist.

Supervisory Board of Zentiva Group, a.s.	
Chair:	Tereza Ber
Member:	Ines Windisch
Member:	Anant Anand Atal

There were no changes in the composition of the Zentiva Group, a.s.'s Supervisory Board in 2021.

In accordance with the valid Czech accounting legislation, the Company is exempt from the obligation to prepare consolidated financial statements in accordance with Czech GAAP, however, the consolidated financial statements for the period from 1 January 2021 to 31 December 2021 prepared by the parent company will be published in the public register.

The accompanying financial statements have been prepared as separate financial statements.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements were prepared in accordance with the Czech Act on Accounting and the related guidelines as applicable for 2021 and 2020.

The Company's previous accounting period was from 1 January 2020 to 31 December 2020 (hereinafter referred to as the "previous accounting period" or the year "2020") while the current accounting period was the period from 1 January 2021 to 31 December 2021 (hereinafter referred to as the "current accounting period" or the year "2021").

Covid-19, confirmed as a pandemic by the World Health Organization on 11 March 2020, has led to a global health crisis. The coronavirus outbreak has had a significant impact on the global economy and, in Europe, affected the public, who are the end customers of the Group. The Group has assessed the impact of the uncertainties caused by the Covid-19 pandemic and has put in place a number of operational measures to minimise production, market and credit risks and continues to manage these on a day-to-day basis. In particular, the group has assessed indicators such as trends in foreign currencies, interest rates and risk premiums, trends in sales and revenues, supply chain and production activity, long-term business plans or maturity of receivables in order to assess the potential impairment of related assets.

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The accompanying balance sheet, income statement and cash flow statement are an integral part of the financial statements.

Zentiva Group, a.s.

Financial Statements for the year ended 31 December 2021

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in preparing the 2021 and 2020 financial statements are as follows:

a) Intangible Fixed Assets

Intangible fixed assets are recorded at their acquisition cost and related expenses.

Intangible fixed assets with a cost exceeding CZK 60 thousand are amortized over their useful economic lives.

Small intangible items with a cost of less than CZK 60 thousand are amortized over their useful economic lives over a maximum of 2 years and carried in a subsidiary ledger.

Since 2021, all provisions relating to the tax depreciation of intangible fixed assets and their technical improvements have been deleted from the Income Taxes Act. Accordingly, book depreciation will be considered a tax expense in the case of intangible assets acquired from 1 January 2021 onwards.

Valuable rights, patents and licenses are amortized over their useful lives as specified in the relevant contracts.

Amortization of licenses for generics purchased by the Company starts at the time the product is launched within the first territory; the amortization period is based on the duration of the respective contract and should not exceed the statutory period. If only a part of the license relating to a particular territory is amortized as not all the conditions necessary for commencement of amortization have been met in other markets, amortization of the remaining portion begins according to the date when relevant conditions for a given territory are satisfied. Subsequently, the amortization period is based on the duration of the contract.

b) Tangible Fixed Assets

Tangible fixed assets are recorded at their acquisition cost, which consists of purchase price, freight, customs duties and other related costs.

The costs of technical improvements are capitalized. Repairs and maintenance expenses are expensed as incurred.

Small tangible items with a cost of less than CZK 80 thousand (except for selected categories, such as sets of furniture, office equipment and computers) are expensed and carried in a subsidiary ledger.

Tangible fixed assets with a cost exceeding CZK 80 thousand in 2021 and 2020 are amortized over their useful economic lives.

Zentiva Group, a.s.

Financial Statements for the year ended 31 December 2021

Depreciation

Depreciation is calculated based on the acquisition cost and the estimated useful life of the related asset. The useful economic lives are as follows:

	Years
Structures	25 – 45
Machinery and equipment	3 – 15
Vehicles	4 – 8
Furniture and fixtures	4 – 10
Miscellaneous tangible fixed assets	2 – 4
Gain or loss on revaluation of acquired property	15

Gain or loss on revaluation of company transformations totaling CZK 10,405,728 thousand arose as a difference by which the value of the revalued financial investment by AI Sirona Bidco s.r.o. in Zentiva Group, a.s., exceeded its equity.

The gain on revaluation of acquired property totaling CZK 5,904,048 thousand arose upon the Company spin-off from Zentiva, a.s., in 2008 as a difference between the net book value of spun-off assets and liabilities of the former company and the value of the spun-off assets based on an expert's valuation.

The gain on revaluation of acquired property totaling CZK 28,752 thousand arose in connection with the acquisition of a part of an enterprise (Global Gx Regulatory Center department) and represents the difference between the net book value of thus acquired assets and liabilities and the value of the enterprise part determined using an appraisal report.

The loss on revaluation of acquired property totaling CZK (280) thousand arose in connection with the acquisition of a part of an enterprise (Finance) and represents the difference between the net book value of thus acquired assets and liabilities and the value of the enterprise part determined using an appraisal report.

The ultimate parent company, AI Sirona (Luxembourg) Acquisition S.à r.l., provided the Company with a guarantee to cover the value of financial assets and gains or losses on revaluation as at 31 December 2021 and 2020. The Company compared the current calculation of the discounted cash-flow with the net book value of the gain on revaluation as at 31 December 2021 and 2020 and did not identify the need to create an allowance.

In accordance with the company's accounting policy described in section 3c), Company recorded allowances for the financial assets of Zentiva International a.s. and Zentiva HU Kft.

c) Financial Assets

Financial investments consist of ownership interests and shareholdings.

Interests are valued at their acquisition cost, which includes the purchase price and direct costs related to the acquisition, e.g. fees and commissions paid to agents and stock exchanges.

In addition, interests denominated in foreign currencies are retranslated at the exchange rate prevailing as at the balance sheet date with the revaluation amounts recorded in equity.

Equivalence means the acquisition cost of the ownership interest adjusted to the value corresponding to the company's interest rate in equity.

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The accompanying balance sheet, income statement and cash flow statement are an integral part of the financial statements.

If there is a decrease in the carrying amount of a non-current financial asset that is not revalued at the end of the balance sheet date, the difference is treated as a temporary decrease in value and is recognized as an allowance. If the Company identifies indicators of possible temporary impairment of financial assets, it evaluates impairment indicators taking into account the fair value of financial assets and assesses the recoverable amount of those assets based on value in use determined based on the present value of future cash flows attributable to financial assets or other available information to management. The present value is based on discounted cash flows planned usually for a period of 5 years, which are based on developments in previous years, taking into account also expected future market developments and the growth rate is derived from expected developments on market and regulatory environment in which the cash flows are generated.

The Company's evaluation of the impairment indicators did not lead to the need to assess the realizable value of these assets.

d) Cash

Cash includes cash at bank accounts.

Within the group, a system for utilization of idle money of individual group companies, i.e. cash pool, has been introduced. Cash deposited in, or used from, this system as at the balance sheet date is reported in 'Short-term receivables – controlled or controlling entity' or 'Current liabilities – controlled or controlling entity', as appropriate, in the accompanying balance sheet and the change in the deposited cash is reported in 'Loans and borrowings granted' or 'Change in long-term liabilities and long/short-term loans', as appropriate, in the accompanying cash flow statement.

e) Receivables

Receivables are initially measured at their nominal amount. Both long- and short-term receivables are carried at their realizable value after allowance for doubtful accounts. Additions to the allowance account are charged to income.

The receivable from the transfer of the share in profit or loss of the subsidiary Zentiva, k.s., is recorded as a 'Receivable from partners'. In the case of losses transferred from Zentiva k.s., the share is recognized as a 'Liability to partners'. For purposes of the cash flow statement, a change in receivables and liabilities arising from the transfer of the share is recorded under cash flows from financing activities in the 'Change in long-term liabilities, and long-term and short-term loans' caption.

f) Derivatives

Derivatives are initially measured at cost. Derivatives are recorded in other short-/long-term receivables or payables, as appropriate, in the accompanying balance sheet.

The Company records only derivatives held for trading. Derivatives are revalued to fair value as at the balance sheet date. Changes in the fair value of derivatives held for trading are charged or credited, as appropriate, to finance income.

g) Equity

The basic capital of the Company is stated at the amount recorded in the Commercial Register maintained in the Municipal Court. Statutory and other reserves are established based on a decision of the Company in compliance with its Articles of Association.

Zentiva Group, a.s.

Financial Statements for the year ended 31 December 2021

h) Provisions and Liabilities

The Company creates provisions for losses and risks if the related purpose, amount and timing can be reliably estimated and the accrual and matching principles are observed.

Long-term liabilities and current liabilities are carried at their nominal values.

Long-term liabilities and current liabilities to credit institutions are carried at their nominal values. Any portion of long-term debt which is due within one year of the balance sheet date is classified as short-term debt.

i) Foreign Currency Transactions

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at the exchange rate prevailing as at the transaction date. On the balance sheet date monetary items are adjusted to the exchange rates as published by the Czech National Bank as at 31 December. Realized and unrealized exchange rate gains and losses were charged or credited, as appropriate, to income for the year.

For valuation purposes, foreign exchange rate differences arising from interests are not accounted for separately in the respective cost or revenue accounts at the balance sheet date, but are carried in balance sheet accounts using the account group 41 in accordance with the applicable wording of the Act on Accounting.

j) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The Company management prepared these estimates and predictions based on all available relevant information. These estimates and assumptions are based on information available as at the date of the financial statements and may differ from actual results.

k) Recognition of Revenues and Expenses

Revenues and expenses are recognized on an accrual basis, that is, they are recognized in the periods in which the actual flow of the related goods or services occurs, regardless of when the related monetary flow arises.

Revenues from services are recognized in the period of service provision and are stated net of discounts and VAT.

The Company recognizes as an expense any additions to provisions or allowances against risks, losses or physical damage that are known as at the financial statements' date.

l) Income Tax

The corporate income tax expense is calculated based on the statutory tax rate and book income before taxes, increased or decreased by the appropriate permanent and temporary differences (e.g. non-deductible provisions and allowances, entertainment expenses, differences between book and tax depreciation, etc.).

The deferred tax position reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax purposes, taking into consideration the period of realization.

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The accompanying balance sheet, income statement and cash flow statement are an integral part of the financial statements.

Zentiva Group, a.s.

Financial Statements for the year ended 31 December 2021

The Company is a General Partner in Zentiva, k.s. Accordingly, the relevant part of the profit is transferred and taxed from Zentiva, k.s., to Zentiva Group, a.s. Since 2019, the share of profit or loss attributable to Zentiva Group, a.s., has been 99.9998%.

In accordance with the above, the calculation of income tax and deferred tax for Zentiva Group, a.s., includes the share of both current and deferred tax expense for Zentiva, k.s., as well.

The Company recorded a deferred tax asset due to loss and research and development costs deduction on the basis that its future recovery is probable.

The Company does not account for the deferred tax from the gain on revaluation pertaining to the property acquired within the spin off process since an "economic" tax was already reflected in the expert opinion used to determine the gain on revaluation. Accordingly, the gain on revaluation is shown in net amounts, including the deferred tax effects.

m) Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statement's preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

n) Integration of Company's branches

Following methods were used for integration of Company's branches in the financial statements:

All accounting transactions are being booked in local currency of the Branch and then translated to Czech crowns based on actual daily exchange rate published by the Czech National Bank.

Receivables, liabilities, provisions and short-term financial assets are on the balance sheet date adjusted to the Exchange rates as published by the Czech National Bank as at 31 December.

During corporate income tax calculation, the Company also includes in its tax base the revenues and costs of the Branches in accordance with the tax laws in force in the Czech Republic. Taxes paid by the Branches are taken into account in the Company's resulting tax liability in accordance with Czech tax regulations and double taxation treaties.

Zentiva Group, a.s.

Financial Statements for the year ended 31 December 2021

4. FIXED ASSETS

a) Intangible Fixed Assets (in CZK thousands)

COST

	Opening balance as at 31/ 12/ 2020	Additions	Disposals	Transfers	Closing balance as at 31/ 12/ 2021
Software	1,576,201	4	(8,337)	328,362	1,896,230
Patents, royalties and other valuable rights	694,230	-	(907)	14,109	707,432
Other intangible fixed assets	21,266	-	-	-	21,266
Intangible fixed assets in progress	237,524	363,839	-	(342,471)	258,892
2021 Total	2,529,221	363,843	(9,244)	-	2,883,820
2020 Total	2,256,557	320,205	(47,541)	-	2,529,221

ACCUMULATED AMORTIZATION

	Closing balance as at 31/ 12/ 2020	Amortization during year	Disposals	Closing balance as at 31/ 12/ 2021	Allowances	Net book value
Software	(769,727)	(389,791)	8,339	(1,151,179)	-	745,051
Patents, royalties and other valuable rights	(629,737)	(18,628)	905	(647,460)	-	59,972
Other intangible fixed assets	(5,612)	(3,544)	-	(9,156)	-	12,110
Intangible fixed assets in progress	-	-	-	-	(38,090)	220,802
2021 Total	(1,405,076)	(411,963)	9,244	(1,807,795)	(38,090)	1,037,935
2020 Total	(1,156,915)	(295,702)	47,541	(1,405,076)	(38,090)	1,086,055

Valuable rights represent, in particular, licenses to pharmaceuticals with expired patent protection.

Significant additions in 2021 include the acquisition of software for production planning in the amount of CZK 73,023 thousand, ERP S4H of CZK 104,946 thousand and the BI platform of CZK 20,867 thousand.

The Company owns the IT infrastructure and software licenses for the group.

As at 31 December 2021 and 2020, the total value of purchased small intangible fixed assets, which are not reflected in the accompanying balance sheet, was CZK 1,630 thousand and CZK 795 thousand, respectively.

Zentiva Group, a.s.

Financial Statements for the year ended 31 December 2021

b) Tangible Fixed Assets (in CZK thousands)

COST

	Closing balance as at 31/ 12/ 2020	Additions	Disposals	Transfers	Closing balance as at 31/ 12/ 2021
Structures	550,489	-	-	3,152	553,641
Machinery and equipment	181,711	147	(2,132)	5,273	184,999
Furniture and fixtures	67,287	-	-	428	67,715
Art works and collections	6,120	-	-	-	6,120
Tangible fixed assets in progress	7,133	4,128	-	(8,853)	2,408
Loss on revaluation of acquired property – acquisition of a part of an enterprise	10,434,200	-	-	-	10,434,200
Gain on revaluation of acquired property – spin-off	5,904,048	-	-	-	5,904,048
2021 Total	17,150,988	4,275	(2,132)	-	17,153,131
2020 Total	17,153,939	1638	(4,588)	-	17,150,988

ACCUMULATED DEPRECIATION

	Closing balance as at 31/ 12/ 2020	Depreciation during year	Cost of sales or liquidation/disposals	Closing balance as at 31/ 12/ 2021	Net book value
Structures	(359,217)	(22,292)	-	(381,509)	172,132
Machinery and equipment	(166,129)	(6,416)	2,093	(170,452)	14,547
Furniture and fixtures	(63,063)	(1,154)	-	(64,217)	3,498
Art works and collections	-	-	-	-	6,120
Tangible fixed assets in progress	-	-	-	-	2,408
Loss on revaluation of acquired property – acquisition of a part of an enterprise	(1,394,911)	(695,613)	-	(2,090,524)	8,343,676
Gain on revaluation of acquired property – spin-off	(5,116,842)	(393,603)	-	(5,510,445)	393,603
2021 Total	(7,100,162)	(1,119,078)	2,093	(8,217,147)	8,935,984
2020 Total	(5,981,755)	(1,121,707)	3,301	(7,100,162)	10,050,826

The total value of purchased small tangible fixed assets which are not reflected in the accompanying balance sheet was CZK 2,654 thousand and CZK 3,512 thousand as at 31 December 2021 and 2020, respectively.

Tangible fixed assets include, in particular, an office building and a business center in Dolní Měcholupy including equipment, computer systems and servers, security and service systems and wiring.

Financial Statements for the year ended 31 December 2021

The gain or loss on revaluation of company transformations in the amount of CZK 10,405,728 thousand arose as a difference between the valuation of the financial investment of AI Sirona Bidco s.r.o. based on the appraisal report totaling CZK 17,818,100 thousand and its equity of CZK 7,412,372 thousand. The resulting gain on revaluation is depreciated over fifteen years, or until the disposal of the last component of acquired property. As at 31 December 2021 and 2020, the net book value of the gain on revaluation was CZK 8,324,582 thousand and CZK 9,018,298 thousand, respectively.

The loss on revaluation of acquired property CZK (280) thousand arose as the difference between the valuation based on the appraisal report (CZK 1,675 thousand) and the net book value of acquired assets (CZK 1,955 thousand) upon the purchase of a part of an enterprise – Finance division. The resulting loss on revaluation is depreciated annually over fifteen years, or until the disposal of the last component of acquired property. As at 31 December 2021 and 2020, the net book value of the loss on revaluation was CZK (74) thousand and CZK (93) thousand, respectively.

The gain on revaluation of acquired property of CZK 28,752 thousand arose as the difference between the valuation based on the appraisal report (CZK 20,243 thousand) and the net book value of acquired assets and liabilities of CZK (8,509) thousand upon the purchase of a part of an enterprise – “GRC” division. The resulting gain on revaluation is depreciated over fifteen years, or until the disposal of the last component of acquired property. As at 31 December 2021 and 2020, the net book value of the gain on revaluation was CZK 19,167 thousand and CZK 21,084 thousand, respectively.

The revaluation gain of CZK 5,904,048 thousand arose as a difference between the amount determined by a certified expert (CZK 7,453,565 thousand) and the net book value of transferred assets (CZK 1,567,513 thousand) in the company being spun-off, net of the deferred tax liability (CZK 17,996 thousand) in connection with the assets being spun-off as at 1 January 2008. The resulting gain on revaluation is depreciated over fifteen years, or until the disposal of the last component of acquired property. As at 31 December 2021 and 2020, the net book value of the gain on revaluation arising from the spin-off was CZK 393,603 thousand and CZK 787,206 thousand, respectively.

The gain on the revaluation of acquired property is a very judgmental balance and since initial recognition its valuation is annually subject to impairment testing. Significant changes may result from changes of business assumptions on future operations.

As at 31 December 2021 and 2020, no assets of the Company were pledged as security.

c) Long-Term Financial Investments (in CZK thousands)

Summary of changes in long-term financial investments - Interests – controlled or controlling entity:

	At beginning of year as at 1/ 1/ 2020	Additions	Disposals	Balance as at 31/ 12/ 2020	Additions	Disposals	Balance as at 31/ 12/ 2021
Subsidiaries	21,784,806	56,422	-	21,841,228	-	-	21,841,228
Allowances	(108,702)	(7,590)	-	(116,292)	(5,663)	-	(121,955)
Revaluation	5,617	27,694	-	33,311	-	(302,360)	(269,049)
Total	21,681,721	76,526	-	21,758,247	(5,663)	(302,360)	21,450,224

Zentiva Group, a.s.

Financial Statements for the year ended 31 December 2021

The breakdown of net book values of financial investments as at 31 December 2021 (in CZK thousands):

	Acquisition cost as at 31/ 12/ 2021	Allowances as at 31/ 12/ 2021	Revaluation	Net book value as at 31/ 12/ 2021
Zentiva, k.s.	14,677,989	-	(344,729)	14,333,260
Zentiva International a.s.	241,944	(52,233)		189,711
Zentiva HU Kft.	72,370	(69,722)		2,648
Zentiva S.A.	6,649,740	-	55,380	6,705,120
Solacium Pharma S.R.L.	232,430	-	(13,008)	219,422
Zentiva Bulgaria EOOD	67	-	(3)	64
Total	21,874,540	(121,955)	(302,360)	21,450,224

The breakdown of net book values of financial investments as at 31 December 2020 (in CZK thousands):

	Acquisition cost as at 31/ 12/ 2020	Allowances as at 31/ 12/ 2020	Revaluation	Net book value as at 31/ 12/ 2020
Zentiva, k.s.	14,470,156	-	207,833	14,677,989
Zentiva International a.s.	241,944	(52,233)	-	189,711
Zentiva HU Kft.	72,370	(64,059)	-	8,311
Zentiva S.A.	6,833,008	-	(183,268)	6,649,740
Solacium Pharma S.R.L.	229,302	-	3,128	232,430
Zentiva Bulgaria EOOD	65	-	2	67
Total	21,846,845	(116,292)	27,694	21,758,247

As at 31 December 2021, the Company revalued the foreign currency investment in Zentiva, k.s., in the balance sheet through 'Gain or loss on revaluation of assets and liabilities', and recognized the investment decrease in the amount of CZK 344,729 thousand. As at 31 December 2020, the Company revalued the foreign currency investment in Zentiva, k.s. in the balance sheet through 'Gain or loss on revaluation of assets and liabilities', and recognized the investment increase in the amount of CZK 207,833 thousand.

As at 31 December 2021, the Company revalued the foreign currency investment in Zentiva S.A. in the balance sheet through 'Gain or loss on revaluation of assets and liabilities', and recognized the investment increase in the amount of CZK 55,380 thousand. As at 31 December 2020, the Company revalued the foreign currency investment in Zentiva S.A. in the balance sheet through 'Gain or loss on revaluation of assets and liabilities', and recognized the investment decrease in the amount of CZK 183,268 thousand.

As at 31 December 2021, the Company revalued the foreign currency investment in Solacium Pharma S.r.l. in the balance sheet through 'Gain or loss on revaluation of assets and liabilities', and recognized the investment decrease in the amount of CZK 13,008 thousand. As at 31 December 2020, the Company revalued the foreign currency investment in Solacium Pharma S.r.l. in the balance sheet through 'Gain or loss on revaluation of assets and liabilities', and recognized the investment increase in the amount of CZK 3,128 thousand.

The General Partner's share in the profit/loss of Zentiva, k.s., for 2021 was a profit of CZK 715,993 thousand. As at 31 December 2021, the related receivable was presented in the 'Receivables from partners' caption in the balance sheet within the total receivable balance of CZK 442,373 thousand; in the income statement, it was shown in the 'Other income from other long-term investments' caption in the amount of CZK 715,993 thousand.

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The accompanying balance sheet, income statement and cash flow statement are an integral part of the financial statements.

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The General Partner's share in the profit/loss of Zentiva, k.s., for 2020 was a profit of CZK 48,349 thousand. As at 31 December 2020, the related receivable was presented in the 'Liabilities to partners' caption in the balance sheet within the total liability balance of CZK 217,928 thousand; in the income statement, it was shown in the 'Other income from other long-term investments' caption in the amount of CZK 48,349 thousand.

On 7 July 2020, the partners approved that part of the Zentiva k.s.'s loss for 2019 attributable to the General Partner in the amount of CZK 502,277 thousand will be paid by the General Partner, and that due to the adjustment of the profit/loss of Zentiva k.s. for 2018 carried out in 2019 (profit decrease) the respective portion of CZK 520,239 thousand will be paid by the General Partner as well. In 2020, the receivable from the distribution of the 2018 profit totaling CZK 1,477,070 thousand was settled in cash.

On 9 June 2021, the Board of Directors of Zentiva HU Kft. approved the payment of dividends of CZK 4,737 thousand (HUF 64,428 thousand), with the related income shown in the 'Income from other long-term investments – subsidiaries or parents' caption.

On 19 March 2020, the Company decided to increase the basic capital of Solacium Pharma S.r.l. by RON 10,000 thousand by issuing new shares; the value of the shares was fully paid up on 27 March 2020, thus increasing the value of the investment by CZK 56,420 thousand.

Based on the Company's decision, Zentiva Bulgaria EOOD was established as at 31 October 2019; the entity did not start operations in the reported period and is scheduled for liquidation.

Subsidiaries and associates as at 31 December 2021 were as follows (in CZK thousands):

Financial information about Zentiva k.s., Zentiva International a.s., Zentiva HU Kft. and Zentiva S.A. was obtained from the companies' audited financial statements for the year ended 31 December 2021. Audited financial statements of the other companies were not available as at the date of the preparation of the accompanying financial statements. The allowance of CZK 52,233 thousand against the investment in Zentiva International, a.s., was retained; the allowance against the investment in Zentiva HU Kft. was increased to CZK 69,722 thousand in 2021.

Company	Zentiva k.s.	Zentiva International a.s.	Zentiva HU Kft.	Zentiva SA	Solacium Pharma S.R.L.	Zentiva Bulgaria EOOD
Registered office	Czech Republic	Slovak Republic	Hungary	Romania	Romania	Bulgaria
Percentage of ownership	99.9998	100	100	95.9486	100	100
Total assets	15,460,192	844,316	2,878	5,272,171	200,539	38
Equity	3,597,616	193,025	2,641	4,474,353	120,662	38
Basic capital and capital funds	3,597,520	191,028	3,367	475,512	50,231	64
Reserves from profit	88	159	-	902,487	-	-
Retained earnings	7	(9,550)	-	2,565,191	13,384	(13)
Profit for the current year	1	11,388	(726)	531,162	57,047	(13)
Acquisition cost of share / interest	14,677,989	241,944	72,370	6,649,740	232,430	67
Nominal value of share / interest	3,209,603	165,890	3,367	335,929	50,231	64
Intrinsic value of share / interest	3,597,610	193,025	2,641	4,293,079	120,662	38

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Subsidiaries and associates as at 31 December 2020 were as follows (in CZK thousands):

Financial information about Zentiva k.s., Zentiva International a.s., Zentiva HU Kft. and Zentiva S.A. was obtained from the companies' audited financial statements for the year ended 31 December 2020. Audited financial statements of the other companies were not available as at the date of the preparation of the accompanying financial statements. The allowance of CZK 52,233 thousand against the investment in Zentiva International, a.s., was retained; the allowance against the investment in Zentiva HU Kft. was increased to CZK 64,059 thousand in 2020.

Company	Zentiva k.s.	Zentiva International a.s.	Zentiva HU Kft.	Zentiva SA	Solacium Pharma S.R.L.	Zentiva Bulgaria EOOD
Registered office	Czech Republic	Slovak Republic	Hungary	Romania	Romania	Bulgaria
Percentage of ownership	99.9998	100	100	95.9486	100	100
Total assets	14,915,723	747,904	9,379	5,570,326	150,694	54
Equity	3,597,615	191,747	8,205	4,233,896	74,013	54
Basic capital and capital funds	3,597,520	201,667	3,606	510,349	53,909	67
Reserves from profit	88	-	-	950,288	-	-
Retained earnings	6	(11,600)	180	2,419,421	(27,964)	-
Profit for the current year	-	1,680	4,646	353,838	48,068	(13)
Acquisition cost of share / interest	14,470,156	241,944	72,370	6,833,008	229,302	65
Nominal value of share / interest	3,209,603	175,133	3,606	360,539	53,909	67
Intrinsic value of share / interest	3,561,632	191,747	8,432	4,062,364	74,013	54

Other long-term financial investments:

As at 31 December 2021 and 2020, the Company recorded a short-term loan of CZK 0 thousand and CZK 3,073 thousand, respectively granted to European Medicines Verification Organisation, with its registered office at Rue Mil Neuf Cents 8, Luxembourg; the remaining value of the loan, including interest, was repaid in 2021. In 2021 and 2020, the Company recorded related interest income of CZK 14 thousand and CZK 344 thousand, respectively.

5. RECEIVABLES

As at 31 December 2021 and 2020, receivables overdue for more than 90 days totaled CZK 37 thousand and CZK 37 thousand, respectively.

As at 31 December 2021 and 2020, the Company had no receivables secured by collateral.

As at 31 December 2021 and 2020, the Company had no receivables arising from income tax.

As at 31 December 2021 and 2020, the Company recorded unbilled revenues related to not yet billed services in the amount of CZK 52,112 thousand and CZK 143,220 thousand, respectively.

Receivables from related parties (see Note 19).

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6. ALLOWANCES

Allowances reflect a temporary diminution in the value of assets (see Note 4).

Changes in the allowance accounts (in CZK thousands):

Allowances against:	Opening balance as at 1 January 2020	Additions	Deductions	Balance as at 31/ 12/ 2020	Additions	Deductions	Balance as at 31/ 12/ 2021
Intangible fixed assets	48,035	-	(9,945)	38,090	-	-	38,090
Financial investments	108,702	7,590	-	116,292	5,663	-	121,955

7. SHORT-TERM FINANCIAL ASSETS

Short-term financial assets consist of cash at bank.

In 2020, the Company had an overdraft facility with Citibank Europe Plc (Composite Facility Agreement) comprising a shared credit line of CZK 119,000 thousand with Zentiva k.s. The total unpaid portion of all credit facilities used by Zentiva, k.s., was not to exceed the maximum amount of CZK 119 million and the total unpaid portion of all credit facilities used by Zentiva Group, a.s., was not to exceed CZK 37 million, whilst the total unpaid portion of all credit facilities of both companies at the same time was not to exceed the maximum amount of CZK 119 million.

On 22 September 2021, a new loan agreement was concluded between Zentiva k.s. and Citibank Europe plc (Composite Facility Agreement), on the basis of which an overdraft facility was opened solely for Zentiva k.s. of EUR 4,000 thousand.

As at 31 December 2021 and 2020, the drawn down element of the overdraft (in accordance with the agreed credit line) was CZK 0 thousand.

8. PREPAID EXPENSES AND ACCRUED INCOME

Prepaid expenses include, in particular, prepaid IT services, insurance premiums, school fees, which are charged to income for the year in which they were incurred.

Unbilled revenue from related parties (see Note 19).

9. EQUITY

As at 31 December 2021, the basic capital of the Company consisted of one ordinary share, fully subscribed and paid, with a nominal value of CZK 20,050 thousand.

Other capital funds consist of a contribution in excess of the basic capital totalling CZK 7,273,983 thousand.

As at 31 December 2021, the financial investments in Zentiva k.s., Zentiva S.A. and Solacium in Romania were revalued in the aggregate amount of CZK 269,046 thousand. As at 31 December 2020, the financial investments in Zentiva k.s., Zentiva S.A. and Solacium in Romania were revalued in the aggregate amount of CZK (33,311) thousand.

Statutory and other reserves include, in particular, social fund used for financing of social needs of employees.

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On 9 August 2021, the sole shareholder approved the decision of the Board of Directors to transfer the loss for 2020 totaling CZK 2,995,413 thousand to accumulated loss.

On 24 August 2020, the sole shareholder approved the decision of the Board of Directors to transfer the loss for 2019 totaling CZK 2,589,491 thousand and other profit (loss) brought forward totaling CZK 421,394 thousand to accumulated loss.

10. PROVISIONS

The movements in the provision accounts in Zentiva Group, a.s. were as follows (in CZK thousands):

Provisions	Balance as at 31/ 12/ 2019	Additions	Deductions	Balance as at 31/ 12/ 2020	Additions	Deductions	Balance as at 31/ 12/ 2021
Other	23,564	10,221	(14,395)	19,390	12,373	(14,118)	17,645

As at 31 December 2021 and 2020, the Company established provisions of CZK 17,645 thousand and 19,390 thousand, respectively in particular for employee benefits provided based on the collective bargaining agreement and also a provision for jubilee and retirement pensions.

11. CURRENT LIABILITIES

As at 31 December 2021 and 2020, the Company had overdue current trade payables totaling CZK 20,742 thousand and CZK 20,675 thousand, respectively.

As at 31 December 2021 and 2020, the Company had liabilities of CZK 13,279 thousand and CZK 13,630 thousand, respectively, owing to social security and health insurance premiums, respectively.

As at 31 December 2021, unbilled deliveries represent, in particular, estimated supplies of goods and services of CZK 207,403 thousand and accrued vacation of CZK 16,140 thousand. As at 31 December 2020, unbilled deliveries represented, in particular, estimated supplies of goods and services of CZK 151,604 thousand and accrued vacation of CZK 14,538 thousand.

As at 31 December 2021 and 2020, the Company recorded a VAT liability of CZK 12,399 thousand and CZK 12,927 thousand, respectively.

As at 31 December 2021 and 2020, the Company recorded a liability from income tax of CZK 2,552 thousand and CZK 1,308 thousand, respectively after recognizing a withholding tax paid abroad.

Payables to related parties (see Note 19).

12. BANK LOANS AND BORROWINGS

Bank	31/ 12/ 2021 Amount in CZK thousands	31/ 12/ 2020 Amount in CZK thousands
Citibank – overdrafts (due within one year)	0	0

In 2021 and 2020, the interest expense related to the overdraft facilities was CZK 7 thousand and CZK 18 thousand, respectively.

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13. ACCRUALS AND DEFERRED INCOME

Accruals include, in particular, wage bonuses, which are charged to income for the year in which they were incurred.

Deferred income from related parties (see Note 19).

14. INCOME TAXES

The tax base for the calculation of the corporate income tax includes the General Partner's share in the profit or loss of the limited partnership Zentiva, k.s., distributed pursuant to the Memorandum of Association of Zentiva, k.s., including non-taxable revenues, non-deductible expenses and other items affecting tax liability (in the identical ratio as is used for the profit distribution in accordance with the Memorandum of Association). The same system applies also for the deferred tax calculation.

	2021	2020
	(in CZK thousands)	(in CZK thousands)
Loss before taxes incl. the transfer of profit share to General Partner	(503,543)	(3,258,700)
Non-taxable revenues		
Dividends received during the year	(4,737)	-
Non-deductible expenses		
Difference between book and tax depreciation including the difference between the net book value of disposed assets for accounting and tax purposes	(56,529)	(13,211)
Changes in allowances and provisions	3,917	(7,286)
Other (e.g. entertainment expenses, staff costs, interest, other period expenses)	1,145,146	1,713,130
Depreciation of gain or loss on revaluation	1,087,318	1,087,318
Non-deductible expenses and tax base adjustments transferred from Zentiva, k.s.	(290,427)	(150,585)
Donations and gifts	-	-
Tax loss carryforward and other deductions from previous years	(1,381,114)	-
Tax base	-	(629,332)
Current income tax rate	19%	19%
Tax	-	-
Tax relief	-	-
Tax relief transferred from Zentiva, k.s.	-	-
Prior-year adjustments	-	3,705
Current tax expense	-	3,705

As at the financial statements' date the calculation of the 2021 income tax expense is preliminary.

The calculation of the income tax for 2020 was based on a preliminary calculation as at the financial statements' date as well.

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The Company quantified deferred taxes as follows (in CZK thousands):

Deferred tax items	Balance as at 31/ 12/ 2021		Balance as at 31/ 12/ 2020	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between net book value of fixed assets for accounting and tax purposes		(15,548)		(5,052)
Difference between net book value of fixed assets of Zentiva, k.s. for accounting and tax purposes		(240,562)		(172,370)
Other temporary differences:				
Revaluation of financial investment	-			(6,329)
Unbilled deliveries	27,685		32,210	
Contingencies of Zentiva, k.s.	17,761		19,885	
Allowance against fixed assets	7,237		7,237	
Allowance against fixed assets of Zentiva, k.s.	17,751		24,154	
Allowance against receivables of Zentiva, k.s.	345		1,642	
Allowance against inventory of Zentiva, k.s.	22,185		14,843	
Provisions	2,375		2,842	
Provisions of Zentiva, k.s.	28,879		30,021	
Deferred tax arising from research and development costs deduction	56,383		54,724	
Deferred tax arising from training costs deduction	-		51	
Deferred tax arising from interest deductibility	182,965		182,309	
Deferred tax arising from tax loss	164,470		407,108	
Total	528,036	(256,110)	777,026	(183,751)
Net	271,926		593,276	
Deferred tax recognized into equity	-			(6,329)

As at 31 December 2021 and 2020, the Company recorded a deferred tax asset of CZK 271,926 thousand and CZK 593,276 thousand, respectively.

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15. LEASES

The Company leases fixed assets, which are not recorded on the balance sheet.

As at 31 December 2021, assets which are being used by the Company under operating leases consist of the following (in CZK thousands):

Description	Terms/Conditions	Expense in 2021	Cost
Operating lease of cars	36 - 48 months or up to specific mileage	18,891	95,104
Refresh on Zentiva premises	From October 2019 for 39 months, by December 2022	14,363	43,400
Infrastructure Application Agreement	From April 2020 for 33 months, by December 2022	20,077	55,211
Infrastructure services	From April 2020 for 33 months, by December 2022	67,540	185,735
SAP-S4/Hana Infrastructure	From January 2021 for 24 months, by December 2022	3,412	6,824

As at 31 December 2020, assets which are being used by the Company under operating leases consist of the following (in CZK thousands):

Description	Terms/Conditions	Expense in 2020	Cost
Operating lease of cars	36 - 48 months or up to specific mileage	19,168	87,954
SAP CEP AIX/IBM	From April 2018 for 24 months, by March 2020	2,197	17,573
SAP Zentiva Infrastructure	From April 2018 for 24 months, by March 2020	1,257	10,056
Veronese CAPEX	From January 2019 for 15 months, by March 2020	8,846	35,546
Refresh on Zentiva premises	From October 2019 for 39 months, by December 2022	12,724	43,400
Infrastructure Application Agreement	From April 2020 for 33 months, by December 2022	15,058	55,211
Infrastructure services	From April 2020 for 33 months, by December 2022	50,655	185,735

The Company used no assets under finance leases as at 31 December 2021 and 2020, respectively.

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16. COMMITMENTS AND CONTINGENCIES

As at 31 December 2021 and 2020, the Company had commitments, contingent liabilities and contingent assets, which were not shown on the balance sheet. These relate, in particular, to other fixed assets (see Note 4).

17. REVENUES

The revenues of the Company were concentrated primarily with the provision of managerial and technical support and advisory services within the group with focus on management, sales, IT, logistics, human resources, accounting and tax, etc. and also the revenues related to the ownership of the Zentiva brand.

Revenues from the sale of the Company's services (in CZK thousands):

	2021	2020
Czech Republic	1,776,686	1,839,058
Slovakia	66,005	77,146
Other (foreign)	446,777	400,024
Total revenues	2,289,468	2,316,228

As at 1 July 2020, the assets of the ZENTIVA BULGARIA BRANCH were sold to ALVOGEN PHARMA BULGARIA EOOD, with the related income of CZK 22,708 thousand recognized in the 'Income from interests in subsidiaries or parents' caption in the income statement.

18. PERSONNEL AND RELATED EXPENSES

The breakdown of personnel expenses of Zentiva Group a.s. as at 31 December 2021 and 2020 is as follows (in CZK thousands):

	2021		2020	
	Total personnel	Management	Total personnel	Management
Average number of employees	433	6	441	6
Wages and salaries	653,039	101,736	671,776	87,143
Social security and health insurance	175,837	12,203	178,608	11,141
Social cost	10,726	132	12,002	130
Total personnel expenses	839,602	114,071	862,386	98,414

In 2021 and 2020, the members of statutory and supervisory bodies received total bonuses and other remuneration of CZK 18,504 thousand and CZK 19,778 thousand, respectively.

In 2021 and 2020, the members of statutory and supervisory bodies received no loans, guarantees and other benefits. Members of senior management use company cars for both business and private purposes.

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19. RELATED PARTY INFORMATION

The Company sells products and services to related parties in the ordinary course of business. In 2021 and 2020, sales of the Company within the Group totaled CZK 2,286,909 thousand and CZK 2,315,979 thousand, respectively.

Short-term trade receivables from related parties were as follows (in CZK thousands):

Related party	31/ 12/ 2021	31/ 12/ 2020
Zentiva, k.s.	1,264	75,991
Zentiva Pharma UK Ltd.	382	622
Zentiva Italia SRL	2,770	3,677
Zentiva France	304	717
Zentiva S.A.	19,247	291,271
Zentiva, a.s.	11,218	10,782
Zentiva Pharma GmbH	4,237	1,832
Zentiva Portugal	-	574
Zentiva International, a.s.	839	1,759
Zentiva HU	-	514
Zentiva Poland	-	216
Helvepharm AG	1,464	889
Zentiva Denmark ApS	(126)	66
Alvogen Pharma Trading Europe EOOD	95,367	11,423
Zentiva Pharma Bulgaria EOOD	143	23,642
Total	137,109	423,975

Unbilled revenues arising from unbilled services to related parties (in CZK thousands):

Related party	31/ 12/ 2021	31/ 12/ 2020
Zentiva, k.s.	-	73,937
Alvogen Pharma Trading Europe EOOD	47,127	65,613
Total	47,127	139,550

Unbilled revenues arising from licenses and other corporate services provided to companies (in CZK thousands):

Related party	31/ 12/ 2021	31/ 12/ 2020
Zentiva, k.s.	171,571	143,605
Zentiva Pharma UK Ltd.	5,614	5,259
Zentiva Italia SRL	6,761	7,388
Zentiva France	10,465	10,749
Zentiva S.A.	67,610	26,320
Zentiva, a.s.	3,760	8,436
Zentiva Portugal	1,555	2,634

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Zentiva Poland	9,352	9,984
Zentiva Pharma GmbH	8,726	8,445
Helvepharm AG	3,760	3,550
Zentiva Denmark ApS	386	133
Total	289,560	226,502

As at 31 December 2020, the Company recorded deferred income of CZK 32,026 thousand comprising billings for promo and marketing services to Zentiva k.s. relating to the first quarter of 2021. No invoicing related to the following year occurred as at 31 December 2021.

The Company receives services from related parties in the ordinary course of business. In 2021, purchases were CZK 66,973 thousand and included mainly purchase of insurance-related services and rebilling of energy from Zentiva k.s. and purchase of the services provided by other Zentiva affiliates when working on central projects. In 2020, purchases were CZK 47,057 thousand and included mainly purchase of insurance-related services and rebilling of energy from Zentiva k.s. and purchase of the services provided by Zentiva S.A. when working on central projects.

Current trade payables to related parties were as follows (in CZK thousands):

Related party	31/ 12/ 2021	31/ 12/ 2020
Zentiva, k.s.	4,588	1,189
Zentiva S.A.	-	4,062
Zentiva Pharma GmbH	1,338	-
Zentiva a.s.	20	-
Helvepharm AG	2,807	-
Zentiva Pharma Kft.	7	-
Zentiva Poland	1,077	-
Total	9,837	5,250

Unbilled deliveries arising from unbilled services from related parties (in CZK thousands):

Related party	31/ 12/ 2021	31/ 12/ 2020
Zentiva, k.s.	51,444	13,636
Zentiva S.A.	72,069	32,187
Zentiva International a.s.	-	186
Zentiva a.s.	900	-
Zentiva Pharma UK Ltd.	3,496	-
Zentiva Pharma d.o.o.	1,266	-
Zentiva Poland	267	-
Total	129,442	46,009

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Other short-term receivables from related parties were as follows (in CZK thousands):

Related party	31/ 12/ 2021	31/ 12/ 2020
Zentiva, k.s. – share in profit	498,065	-
Al Sirona Luxembourg – cash pooling/other	-	20,003
Solacium Pharma S.r.l.	-	-
Total	498,065	20,003

In 2021, the Company recorded a receivable from the share in profit of Zentiva k.s. of CZK 498,065 thousand. In 2020, due to the compensation of accumulated loss, the receivable from the share in profit of Zentiva k.s. was transformed into a liability, with the total balance of CZK 217,928 thousand being presented in the 'Liabilities to partners' caption in the accompanying balance sheet.

In January 2021, the receivable from Al Sirona Luxembourg from 2020, which arose as an overpayment after payment of interest on long-term loans as at 31 December 2020, was settled.

In March 2020, a loan provided to Solacium Pharma S.r.l. of CZK 15,460 thousand was repaid.

Long-term and other short-term payables to related parties were as follows (in CZK thousands):

The Company records long-term loans from the parent company, which are shown in the 'Long-term liabilities – controlled or controlling entity' caption in the accompanying balance sheet.

The Company has concluded a cash-pool agreement with the parent company Al Sirona Luxembourg.

Additionally, the Company signed a cash management agreement with Zentiva S.A. on 21 September 2018. According to the agreement, the loan bore interest of 1M ROBOR (Romani Interbank Offered rate) plus 15 points in case the Company is a debtor and minus 5 points in the opposite case. The loan was transferred from Zentiva S.A. under the cash pool from the parent company in December 2020.

Short-term payables to related parties as at 31 December were as follows (in CZK thousands):

	31/ 12/ 2021	31/ 12/ 2020
Al Sirona Luxembourg – unpaid interest from long-term loan	52,924	-
Al Sirona Luxembourg – cash pooling including outstanding interest	4,092,393	3,454,306
Zentiva S.A. – short-term loan including unpaid interest	-	-
Zentiva k.s. – loss compensation	-	217,928
Total	4,145,317	3,672,234

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Overview of cash-pooling broken down by individual currencies (in thousands):

Description	Initial date	Interest rate	Balance as at 31/ 12/ 2021	Balance as at 31/ 12/ 2020	Interest expense in 2021	Interest expense in 2020
CP CZK	04/ 01/ 2019	3.41% + 3M PRIBOR*	116,856	-	1,256	-
CP EUR	02/ 11/ 2018	4.03% + 3M EURIBOR	-	921,160	-	77,977
		3.41% + 3M EURIBOR*	1,386,733	-	41,582	-
CP GBP	30/ 10/ 2018	4.03% + 3M LIBOR	-	279,755	-	12,372
		3.41% + 3M LIBOR*	358,860	-	13,991	-
CP RON	26/ 03/ 2019	4.03% + 3M ROBOR	-	2,253,391	-	20,712
		3.41% + 3M ROBOR*	2,229,944	-	135,204	-
Total			4,092,393	3,454,306	192,033	111,060

* As at 1 January 2021, the interest rate for CP borrowings was changed to 3.41%.

Long-term loans granted by related parties as at 31 December 2021 were as follows (in CZK thousands):

Related party	Description	Interest rate	Due dates	Principal	Interest expense in 2021
Al Sirona Luxembourg	Loan in EUR	EURIBOR + margin	28/ 09/ 2025	11,888,015	699,407
Al Sirona Luxembourg	Loan in EUR	EURIBOR + margin	28/ 03/ 2025	9,366,554	559,412
Al Sirona Luxembourg	Loan in EUR (revolving)	EURIBOR + margin	28/ 09/ 2025	765,688	21,370
Al Sirona Luxembourg	Loan in GBP	LIBOR + margin	28/ 09/ 2025	4,032,141	247,481
Total				26,052,398	1,527,670

Long-term loans granted by related parties as at 31 December 2020 were as follows (in CZK thousands):

Related party	Description	Interest rate	Due dates	Principal	Interest expense in 2020
Al Sirona Luxembourg	Loan in EUR	EURIBOR + margin	28/ 09/ 2025	12,502,678	734,051
Al Sirona Luxembourg	Loan in EUR	EURIBOR + margin	28/ 03/ 2025	9,843,701	582,930
Al Sirona Luxembourg	Loan in EUR (revolving)	EURIBOR + margin	28/ 09/ 2025	808,346	21,203
Al Sirona Luxembourg	Loan in GBP	LIBOR + margin	28/ 09/ 2025	3,962,323	244,523
Total				27,117,048	1,582,707

Zentiva Group, a.s.

Financial Statements for the year ended 31 December 2021

20. SIGNIFICANT ITEMS OF INCOME STATEMENT

The item Services includes mainly administrative costs, IT, advertising, market research, legal advisory and other supporting services (outsourced accounting services).

Miscellaneous operating income for 2021 includes, in particular, income of CZK 16,134 thousand for the administration of registration authorizations for Sanofi products billed to Sanofi Aventis Research & Development and CZK 12,450 thousand related to the payment of retention bonuses paid to employees in 2021 and covered by Sanofi SA.

Income from interests in 2020 includes income related to the sale of assets of the Bulgarian branch (see Note 1 and 17).

Other income from other long-term investments includes the transfer of the relevant part of profit/loss from Zentiva k.s. (see Note 4c).

Other finance cost and income comprise realized and unrealized exchange rate gains and losses and hedging of foreign currency transactions made in 2021 and 2020, respectively.



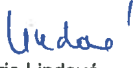
Statutory auditor's fees were CZK 1,919 thousand and CZK 1,916 thousand in 2021 and 2020, respectively.

21. SUBSEQUENT EVENTS

In 2021 and 2020, COVID-19, the coronavirus infection affected the public in Europe, which is the end customer of the Zentiva Group, and had a significant impact on the global economy as well.

Zentiva adapts rapidly to changing circumstances, maintaining and increasing the level of customer service during significant fluctuations in market demand.

The military invasion of Ukraine on 24 February 2022 took place after the end of the reporting period. Exceptional geopolitical tensions, escalating energy prices, international sanctions imposed on Russia and a number of related uncertainties may adversely affect the Group's operations in 2022. Broader economic and political implications continue to be closely monitored and addressed by management.

Prepared on:	Signature of entity's statutory body:	Person responsible for accounting:	Person responsible for financial statements:
21 June 2022	 Kenneth Lynard	 Helena Rajmanová- Hechtová	 Marie Lindová

(Translation of a report originally issued in Czech - see Note 2 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Zentiva Group, a.s.

Opinion

We have audited the accompanying financial statements of Zentiva Group, a.s. (the Company) prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2021, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation 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 Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. 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. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is 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 auditor's 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 above regulations 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 the above law or regulation, 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 the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 auditor's 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 auditor's 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.



**Building a better
working world**

We communicate with the Board of Directors and the Supervisory Board 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.

Ernst & Young Audit, s.r.o.
License No. 401

Ota Čermák, Auditor
License No. 2471

Tomáš Němec
Procurist

21 June 2022
Prague, Czech Republic