

Annual Report 2020

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 Zentiva group. As in previous years, in 2021 we will continue to integrate both original and new acquisitions into the group's structure and exploit all synergies arising therefrom, with the aim of developing our growth strategy and achieving synergies.

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 2020, the Company did not acquire any own shares or ownership interests.

Branch or affiliate abroad

The Company operates four branches abroad. They are Zentiva Group. a.s. branches in Bulgaria, Estonia, Lithuania and Latvia. In 2020, all the assets of the Bulgarian branch were sold to another company within the Zentiva group.

Prospects for 2021

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 2021 continues to be integrating new acquisitions into the group structure.

In 2020 and 2021, COVID-19, the coronavirus infection in Europe affects the public, which is the end customer of the Zentiva group, and also has a significant impact on the global economy.

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

There were no significant subsequent events.

Other Matters

The Company discloses no information under special legislation.

In Prague, 9 July 2021

A handwritten signature in blue ink, consisting of several overlapping loops and a wavy line at the bottom.

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Kenneth Lynard
(Statutory Body of the Company)

Zentiva Group, a.s.

**REPORT ON RELATIONS BETWEEN A CONTROLLING
AND A CONTROLLED PERSONS AND ON RELATIONS BETWEEN
THE CONTROLLED PERSON AND OTHER PERSONS
CONTROLLED BY THE SAME CONTROLLING PERSON
FOR 2020**

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 2020.

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 2020 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.	Services agreement

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
Leases	Zentiva, k.s.	Contract for the lease of non-residential premises
Accounting	Zentiva, k.s.	Contract for bookkeeping services
Auxiliary services	Zentiva, k.s.	Services agreement
Finance management	Zentiva, k.s.	Contract for financial management and support)
Auxiliary services	Zentiva, k.s.	Mandate agreement - management of labor matters
IT	Zentiva, k.s.	Agreement for the manner of use of computer program
	Zentiva International a.s.	SAP system maintenance agreement
	Zentiva, k.s.	SAP system maintenance agreement
	Zentiva, a.s.	SAP system maintenance agreement

	Zentiva S.A.	SAP system maintenance agreement
Marketing services	Zentiva, k.s.	Contracts for the provision of promotional services (concluded with foreign branches of the provider Zentiva Group, a.s.)
Other	Alvogen Pharma Bulgaria EOOD	Contract for the transfer of an operational enterprise

3. Financial services related contracts

<u>Transaction</u>	<u>Partner</u>	<u>Contract</u>
Received loan	Al Sirona (Luxembourg) Acquisition S.à r.l.	Intercompany loan contract
Cash Pooling	Al Sirona (Luxembourg) Acquisition S.à r.l.	Cash pooling agreement
	Zentiva S.A.	Cash management contract
	Zentiva S.A. and Al Sirona (Luxembourg) Acquisition S.à r.l.	Agreement on the assignment of the cash management contract
Granted loan	Solacium Pharma S.r.l.	Loan agreement
Offsetting of receivables and payables	Al Sirona (Luxembourg) Acquisition S.à r.l.	Offsetting 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 stem 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

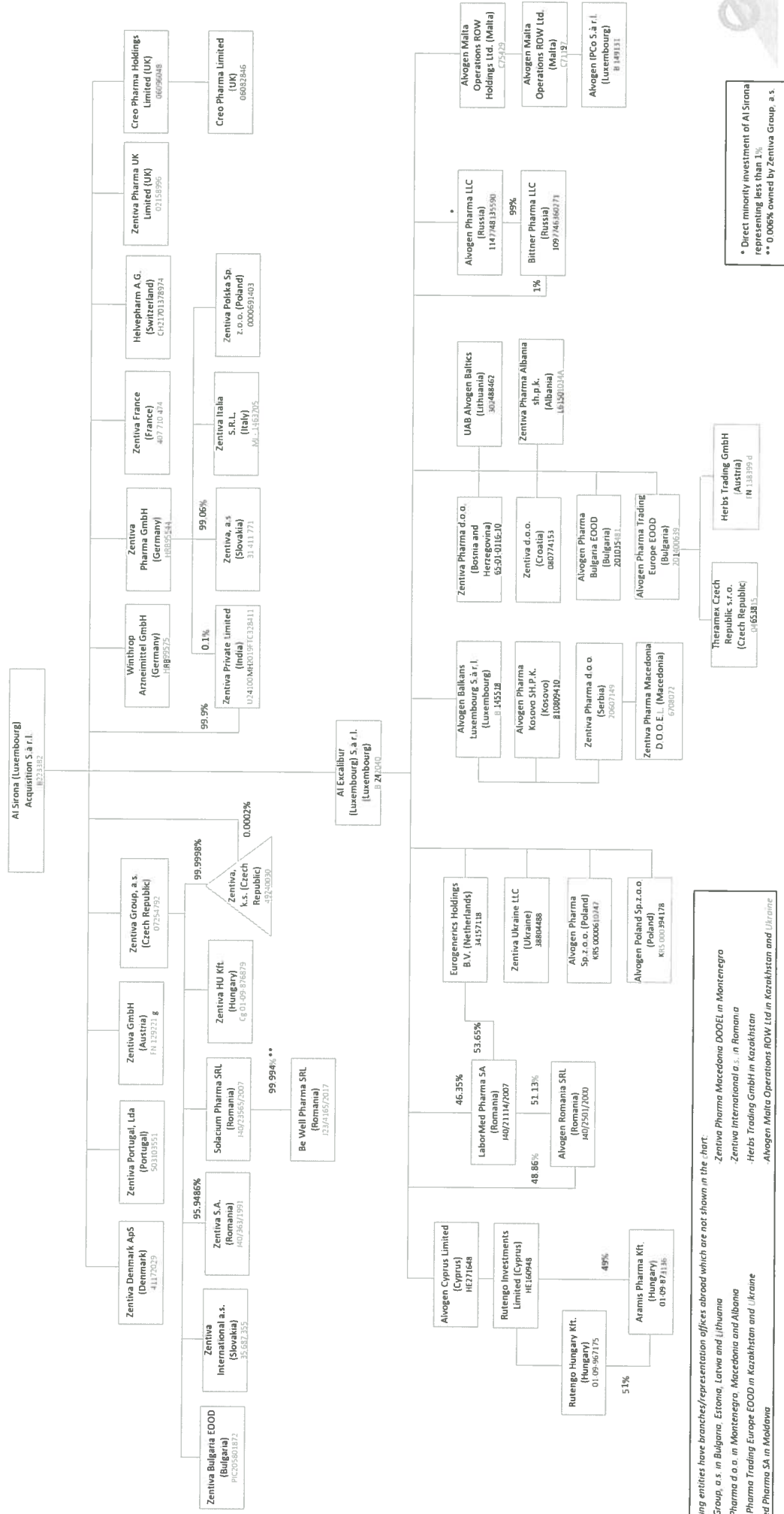
The Company incurred no damage from the foregoing relations and transactions.

In Prague, on 29 March 2021

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Kenneth Lynard
Statutory Body of the Company

Zentiva group as of 31 December 2020

(100% shareholding if not stated otherwise)



Zentiva Group, a.s.

Financial Statements for the year ended 31 December 2020

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

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

BALANCE SHEET

		Current year			Prior year 2019
		Gross	Allowances	Net	Net
	TOTAL ASSETS	43,171,057	(8,659,620)	34,511,437	37,375,626
A.	STOCK SUBSCRIPTION RECEIVABLE				
B.	FIXED ASSETS	41,554,748	(8,659,620)	32,895,128	33,911,461
B. I.	Intangible fixed assets	2,529,221	(1,443,168)	1,086,055	1,051,607
B. I. 1.	Development				
2.	Valuable rights	2,270,431	(1,399,464)	870,967	805,406
1.	Software	1,576,201	(769,727)	806,474	723,210
2.	Other valuable rights	694,230	(629,737)	64,493	82,196
3.	Goodwill				
4.	Other intangible fixed assets	21,266	(5,612)	15,654	17,414
5.	Advances granted for intangible fixed assets and intangible fixed assets in progress	237,524	(38,090)	199,434	228,787
1.	Advances granted for intangible fixed assets				
2.	Intangible fixed assets in progress	237,524	(38,090)	199,434	228,787
B. II.	Tangible fixed assets	17,150,988	(7,100,162)	10,050,826	11,172,184
B. II. 1.	Land and structures	550,489	(359,217)	191,272	213,475
1.	Land				
2.	Structures	550,489	(359,217)	191,272	213,475
2.	Movable assets and sets of movable assets	248,998	(229,192)	19,806	25,874
3.	Gain or loss on revaluation of acquired property	16,338,248	(6,511,753)	9,826,495	10,915,712
4.	Other tangible fixed assets	6,120		6,120	6,126
1.	Perennial crops				
2.	Livestock				
3.	Miscellaneous tangible fixed assets	6,120		6,120	6,126
5.	Advances granted for tangible fixed assets and tangible fixed assets in progress	7,133		7,133	10,997
1.	Advances granted for tangible fixed assets				
2.	Tangible fixed assets in progress	7,133		7,133	10,997
B. III.	Long-term investments	21,874,539	(116,292)	21,758,247	21,687,670
B. III. 1.	Interests – controlled or controlling entity	21,874,539	(116,292)	21,758,247	21,681,721
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				5,949
1.	Miscellaneous long-term investments				5,949
2.	Advances granted for long-term investments				
C.	CURRENT ASSETS	1,334,150	0	1,334,150	3,304,991
C. I.	Inventories	0	0	0	0
C. I. 1.	Materials				
2.	Work in progress and semi-finished production				
3.	Finished products and goods				
1.	Finished products				
2.	Goods				
4.	Livestock				
5.	Advances granted for inventories				
C. II.	Receivables	1,195,522	0	1,195,522	3,174,715
C. II. 1.	Long-term receivables	593,276	0	593,276	331,548
1.	Trade receivables				
2.	Receivables – controlled or controlling entity				
3.	Receivables – significant influence				
4.	Deferred tax asset	593,276		593,276	331,548
5.	Other receivables				
5.1.	Receivables from partners				
5.2.	Long-term advances granted			0	
5.3.	Unbilled revenue				
5.4.	Miscellaneous receivables				

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 2020

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

BALANCE SHEET

		Current year			Prior year 2019
		Gross	Allowances	Net	Net
C. II. 2.	Short-term receivables	602,246	0	602,246	2,843,167
1.	Trade receivables	430,723		430,723	524,336
2.	Receivables – controlled or controlling entity	20,003		20,003	879,267
3.	Receivables – significant influence				
4.	Other receivables	151,520	0	151,520	1,439,564
4.1.	Receivables from partners				1,210,793
4.2.	Social security and health insurance				
4.3.	Due from government - tax receivables				192,940
4.4.	Short-term advances granted	1,258		1,258	2,266
4.5.	Unbilled revenue	143,220		143,220	27,406
4.6.	Miscellaneous receivables	7,042		7,042	6,159
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	138,628	0	138,628	130,276
1.	Cash in hand				
2.	Cash at bank	138,628		138,628	130,276
D.	Prepaid expenses and accrued income	282,159	0	282,159	159,174
D. 1.	Prepaid expenses	55,657		55,657	54,166
2.	Prepaid expenses (specific-purpose expenses)				
3.	Accrued income	226,502		226,502	105,008

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

BALANCE SHEET

		Current year	Prior year 2019
TOTAL EQUITY & LIABILITIES		34,511,437	37,375,626
A.	EQUITY	3,114,667	6,087,546
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	7,300,965	7,278,531
A. II. 1.	Share premium		
2.	Capital funds	7,300,965	7,278,531
1.	Other capital funds	7,273,983	7,273,983
2.	Gain or loss on revaluation of assets and liabilities (+/-)	26,982	4,548
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 (+/-)	(1,214,384)	1,375,107
IV. 1.	Retained earnings	(1,214,384)	1,796,501
2.	Other profit (loss) brought forward (+/-)		(421,394)
A. V.	Profit (loss) for the year (+/-)	(2,995,414)	(2,589,492)
A. VI.	Approved decision on advances for profit distribution (-)	0	0
B. + C.	PROVISIONS AND LIABILITIES	31,212,092	31,135,553
B.	Provisions	19,390	23,564
B. 1.	Provision for pensions and similar obligations		
2.	Provision for corporate income tax		
3.	Provisions recognized under special legislation		
4.	Other provisions	19,390	23,564
C.	Liabilities	31,192,702	31,111,989
C. I.	Long-term liabilities	27,117,048	26,455,887
1.	Bonds payable	0	0
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	27,117,048	26,455,887
7.	Liabilities – significant influence		
8.	Deferred tax liability		
9.	Other liabilities	0	0
1.	Liabilities to partners		
2.	Unbilled deliveries		
3.	Miscellaneous liabilities		

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

BALANCE SHEET

		Current year	Prior year 2019
C. II.	Current liabilities	4,075,654	4,656,102
1.	Bonds payable		
1.	Convertible bonds		
2.	Other bonds		
2.	Amounts owed to credit institutions		1,973
3.	Short-term advances received		
4.	Trade payables	174,676	349,917
5.	Short-term notes payable		
6.	Liabilities – controlled or controlling entity	3,454,306	4,037,798
7.	Liabilities – significant influence		
8.	Other liabilities	446,672	266,414
1.	Liabilities to partners	217,928	
2.	Short-term borrowings		
3.	Liabilities to employees	33,532	41,435
4.	Liabilities arising from social security and health insurance	13,630	12,236
5.	Due to government – taxes and subsidies	14,235	39,562
6.	Unbilled deliveries	166,142	170,582
7.	Miscellaneous liabilities	1,205	2,599
D.	Accruals and deferred income	184,678	152,427
D. 1.	Accruals	152,652	116,778
D. 2.	Deferred income	32,026	35,649

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 2020
Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

INCOME STATEMENT

		Current year	Prior year 2019
I.	Revenue from sale of finished products and services	2,316,228	2,859,283
II.	Revenue from sale of goods		
A.	Production-related consumption	959,349	1,332,515
A 1.	Cost of goods sold		
A 2.	Consumption of material and energy	35,496	40,019
A 3.	Services	923,853	1,292,496
B.	Change in inventory produced internally (+/-)	0	0
C.	Own work capitalized (-)	0	0
D.	Personnel expenses	882,388	1,003,948
D 1.	Wages and salaries	671,776	806,261
D 2.	Social security and health insurance costs and other costs	190,610	197,687
D 2 1.	Social security and health insurance costs	178,608	186,151
D 2 2.	Other costs	12,002	11,536
E.	Value adjustments in respect of operating activities	1,405,427	1,416,862
E 1.	Value adjustments in respect of intangible and tangible fixed assets	1,405,427	1,416,862
E 1 1.	Value adjustments in respect of intangible and tangible fixed assets - permanent	1,415,370	1,419,732
E 1 2.	Value adjustments in respect of intangible and tangible fixed assets - temporary	(9,943)	(3,070)
E 2.	Value adjustments in respect of inventory		
E 3.	Value adjustments in respect of receivables		
III.	Other operating income	23,026	26,348
III 1.	Income from sale of fixed assets	746	2,651
III 2.	Income from sale of materials		
III 3.	Miscellaneous operating income	22,280	23,697
F.	Other operating expenses	34,584	55,224
F 1.	Net book value of fixed assets sold	2,666	2,583
F 2.	Net book value of materials sold		
F 3.	Taxes and charges relating to operations	14,129	34,413
F 4.	Provisions relating to operations and prepaid expenses (specific-purpose expenses)	2,657	874
F 5.	Miscellaneous operating expenses	15,132	17,354
*	Profit or loss on operating activities (+/-)	(922,492)	(922,718)
IV.	Income from long-term investments - interests	22,708	0
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	48,349	0
V 1.	Income from other long-term investments- subsidiaries or parents		
V 2.	Other income from other long-term investments	48,349	
H.	Expenses relating to other long-term investments	0	503,551
VI.	Interest receivable and similar income	625	8,221
VI 1.	Interest receivable and similar income - subsidiaries or parents	281	5,459
VI 2.	Other interest receivable and similar income	344	762
I.	Value adjustments and provisions relating to financial activities	7,590	0
J.	Interest payable and similar expenses	1,743,040	1,879,545
J 1.	Interest payable and similar expenses - subsidiaries or parents	1,743,022	1,679,404
J 2.	Other interest payable and similar expenses	18	141
VII.	Other finance income	673,799	1,307,755
K.	Other finance cost	1,331,059	1,102,896
*	Profit or loss on financial activities (+/-)	(2,336,208)	(1,972,016)
**	Profit or loss before taxation (+/-)	(3,258,700)	(2,894,734)

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 2020
Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

INCOME STATEMENT

		Current year	Prior year 2019
L.	Income tax	(263,286)	(305,242)
L. 1.	Income tax due	3,705	(7,725)
L. 2.	Income tax deferred (+/-)	(266,991)	(297,517)
**	Profit or loss after taxation (+/-)	(2,995,414)	(2,589,492)
M.	Transfer of share of profit or loss to partners (+/-)	0	0
***	Profit or loss for the year (+/-)	(2,995,414)	(2,589,492)
*	Net turnover	3 084,735	4 199,607

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 2020
Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

CASH FLOW STATEMENT

For the years ended 31 December 2020 and 2019

		Current year	Prior year 2019
Cash flows from operating activities			
Z.	Profit or loss on ordinary activities before taxation (+/-)	(3,258,700)	(2,894,734)
A 1	Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	3,642,797	2,948,185
A 1 1	Depreciation and amortization of fixed assets and write-off of receivables	1,416,408	1,419,757
A 1 2	Change in allowances	(2,355)	(3,070)
A 1 3	Change in provisions	(4,174)	869
A 1 4	Foreign exchange differences	511,291	(142,627)
A 1 5	(Gain)/Loss on disposal of fixed assets	(20,788)	(68)
A 1 6	Interest expense and interest income	1,742,415	1,673,324
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	384,097	53,451
A 2	Change in non-cash components of working capital	(299,301)	2,145,314
A 2 1	Change in inventory		
A 2 2	Change in trade receivables	94,295	472,546
A 2 3	Change in other receivables and in prepaid expenses and unbilled revenue	(227,059)	1,858,066
A 2 4	Change in trade payables	(159,328)	(4,708)
A 2 5	Change in other payables and in accruals and deferred income	(7,209)	(180,590)
A **	Net cash from operating activities before taxation, interest paid and extraordinary items	84,798	2,198,785
A 3 1	Interest paid	(1,743,040)	(1,679,545)
A 4 1	Income Tax paid	174,446	(313,426)
A ***	Net cash provided by (used in) operating activities	(1,483,798)	205,794
Cash flows from investing activities			
B 1 1	Purchase of fixed assets	(388,269)	(537,312)
B 2 1	Proceeds from sale of fixed assets	23,454	2,651
B 3 1	Loans granted	859,264	(879,158)
B 4 1	Interest received	625	6,221
B 5 1	Dividends received		
B ***	Net cash provided by (used in) investing activities	495,074	(1,407,598)
Cash flows from financing activities			
C 1	Change in long-term liabilities, and long term and short-term loans	997,076	1,122,935
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	0	
C ***	Net cash provided by (used in) financing activities	997,076	1,122,935
	Effect of merger		207,181
F.	Net increase (decrease) in cash	6,352	128,312
P.	Cash and cash equivalents at beginning of year	130,278	1,964
R.	Cash and cash equivalents at end of year	138,628	130,278

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.

Financial Statements for the year ended 31 December 2020

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.

Description of the merged entities:

- 1) Al Sirona Bidco s.r.o. (business registration number: 07254792)

Al Sirona Bidco s.r.o. was incorporated on 29 June 2018 and was located at U kabelovny 529/16, Dolní Měcholupy, 102 00 Prague 10, Czech Republic.

Al Sirona Bidco s.r.o. was an entity controlled by Al Sirona (Luxembourg) Acquisition S.à r.l., registered in the Commercial Register kept with Luxembourg Business Registers G.I.E., registration number B223382, with its registered office located at 5, rue des Capucins, Zip code 1313 Luxembourg, Grand Duchy of Luxembourg.

The principal business activity of Al Sirona Bidco s.r.o. was maintaining holdings in Zentiva Group companies in the Czech Republic.

- 2) Dissolved Zentiva Group a.s. (business registration number: 28446640)

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, was incorporated pursuant to the decision of the Board of Directors of Zentiva N.V., 1097 JB Amsterdam, Prins Bernhardplein 200, the Netherlands, in the process of company division by spin-off from Zentiva, a.s., with its registered office in Prague 10 – Dolní Měcholupy, U kabelovny 130, Czech Republic, business registration number (IČ) 49240030, as at 1 January 2008.

The spin-off was based on the Company's division project pursuant to Section 153(d) and Section 220sb of Act No. 513/1991 Coll. of the Commercial Code. In accordance with Section 69(c), par. 2 of the Commercial Code, the company being divided was neither dissolved nor ceased to exist but a defined part of its assets was transferred to the successor company, Zentiva Group, a.s.

The spun-off company, Zentiva Group, a.s., was incorporated by entering the split of Zentiva, a.s., in the Commercial Register as at 1 September 2008. 1 January 2008 was determined as the decisive date of the spin-off.

From 2009 to 2018, the Company was part of the global Sanofi group. In October 2016, the Sanofi group announced its intention to divest its generics business in Europe and began to implement the plan in the coming years. 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.). Transfers of employees, sales of tangible and intangible assets, carving-out of information systems and other IT applications and further steps leading to the independence of the Zentiva group accompanied the carve-out. Some of these transactions related

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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 2020

directly to the Company itself. This process gave rise to new 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.

As part of the merger, the Company acquired the following foreign branches:

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, Riga, 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; in the course of 2021, the company should be liquidated.

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

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.

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 statutory body in 2020.

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 2020 to 31 December 2020 prepared by the parent

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company will be published in the public register. Consolidated financial statements for the Group were prepared as at 31 December 2019 for the reporting period from 1 October 2018 to 31 December 2019 for the first time and were 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 2020 and 2019.

The Company's previous accounting period was from 1 January 2019 to 31 December 2019 (hereinafter referred to as the "previous accounting period" or the year "2019") while the current accounting period was the period from 1 January 2020 to 31 December 2020 (hereinafter referred to as the "current accounting period" or the year "2020").

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, affects 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.

Nothing has been identified that would indicate a substantial increase in expected credit risk or impairment of the related assets as a result of the pandemic. The impact of Covid-19 at this time does not constitute a material change to the amounts shown in the balance sheet and estimates used in preparing the Company's financial statements and does not adversely affect the revenues and liquidity of the Company.

Potential long-term implications for the group may include, but are not limited to, revisions to the focus of the group's product portfolio on certain products and therapeutic groups, along with related research and development activities, or exploration of new market opportunities. The group will continue to assess and address potential risks in order to align supply with market demand and to mitigate or reduce the adverse effects of supply chain developments, customer creditworthiness as well as other areas.

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 2020 and 2019 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.

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 40 thousand (except for selected categories, such as sets of furniture, office equipment and computers) are expensed and carried in a subsidiary ledger.

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

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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 Al Sirona Bidco s.r.o. in Zentiva Group, a.s., exceeded its equity. The assets and liabilities of the dissolving company were revalued to the value determined by an expert.

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, Al 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 2020 and 2019. 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 2020 and 2019 and did not identify the need to create an allowance.

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.

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

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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.

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.

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.

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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.

The Company recognizes as an expense any additions to provisions for 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.

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 statements 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.

4. FIXED ASSETS**a) Intangible Fixed Assets (in CZK thousands)****COST**

	Closing balance as at 31/ 12/ 2019	Transfer due to merger as at 1 January 2019	Additions	Disposals	Transfers	Closing balance as at 31/ 12/ 2020
Software	1,267,791	-	-	(47,541)	355,951	1,576,201
Patents, royalties and other valuable rights	690,874	-	-	-	3,356	694,230
Other intangible fixed assets	21,266	-	-	-	-	21,266
Intangible fixed assets in progress	276,626	-	320,205	-	(359,307)	237,524
2020 Total	2,256,557	-	320,205	(47,541)	-	2,529,221
2019 Total	-	2,066,370	228,846	(38,659)	-	2,256,557

ACCUMULATED AMORTIZATION

	Closing balance as at 31/ 12/ 2019	Transfer due to merger as at 1 January 2019	Amortization during year	Disposals	Closing balance as at 31/ 12/ 2020	Allowances	Net book value
Software	(544,581)	-	(272,687)	47,541	(769,727)	-	806,474
Patents, royalties and other valuable rights	(608,482)	-	(21,255)	-	(629,737)	-	64,493
Other intangible fixed assets	(3,852)	-	(1,760)	-	(5,612)	-	15,654
Intangible fixed assets in progress	-	-	-	-	-	(38,090)	199,434
2020 Total	(1,156,915)	-	(295,702)	47,541	(1,405,076)	(38,090)	1,086,055
2019 Total	-	(896,825)	(298,320)	38,230	(1,156,915)	(48,035)	1,051,607

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

Significant additions in 2020 include the acquisition of software for production planning in the amount of CZK 41,713 thousand, a production module of CZK 47,247 thousand and ERP SAP of CZK 45,445 thousand.

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

As at 31 December 2020 and 2019, the total value of purchased small intangible fixed assets, which are not reflected in the accompanying balance sheet, was CZK 795 thousand and CZK 2,924 thousand, respectively.

b) Tangible Fixed Assets (in CZK thousands)**COST**

	Closing balance as at 31/ 12/ 2019	Transfer due to merger as at 1 January 2019	Additions	Disposals	Transfers	Closing balance as at 31/ 12/ 2020
Structures	550,489	-	-	-	-	550,489
Machinery and equipment	181,020	-	47	(2,705)	3,349	181,711
Furniture and fixtures	67,059	-	-	(1,878)	2,106	67,287
Art works and collections	6,126	-	-	(6)	-	6,120
Tangible fixed assets in progress	10,997	-	1,591	-	(5,455)	7,133
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
2020 Total	17,153,939	-	1,638	(4,588)	-	17,150,988
2019 Total	-	(17,218,860)	15,787	(80,708)	-	17,153,939

ACCUMULATED DEPRECIATION

	Closing balance as at 31/ 12/ 2019	Transfer due to merger as at 1 January 2019	Depreciation during year	Cost of sales or liquidation/ Disposals	Closing balance as at 31/ 12/ 2020	Net book value
Structures	(337,014)	-	(22,203)	-	(359,217)	191,272
Machinery and equipment	(160,230)	-	(8,341)	2,442	(166,129)	15,582
Furniture and fixtures	(61,975)	-	(1,947)	859	(63,063)	4,224
Art works and collections	-	-	-	-	-	6,120
Tangible fixed assets in progress	-	-	-	-	-	7,133
Loss on revaluation of acquired property – acquisition of a part of an enterprise	(699,297)	-	(695,613)	-	(1,394,911)	9,039,289
Gain on revaluation of acquired property – spin-off	(4,723,239)	-	(393,603)	-	(5,116,842)	787,206
2020 Total	(5,981,755)	-	(1,121,707)	3,301	(7,100,162)	10,050,826
2019 Total	-	(4,941,450)	(1,120,479)	80,174	(5,981,755)	11,172,184

The total value of purchased small tangible fixed assets which are not reflected in the accompanying balance sheet was CZK 3,512 thousand and CZK 3,456 thousand as at 31 December 2020 and 2019, 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.

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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 Al 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. As at 31 December 2020 and 2019, the net book value of the gain on revaluation was CZK 9,018,298 thousand and CZK 9,712,013 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 2020 and 2019, the net book value of the loss on revaluation was CZK (93) thousand and CZK (112) 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 2020 and 2019, the net book value of the gain on revaluation was CZK 21,084 thousand and CZK 23,001 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 (see Note 1). As at 31 December 2020 and 2019, the net book value of the gain on revaluation arising from the spin-off was CZK 787,206 thousand and CZK 1,180,810 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 2020 and 2019, 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/ 2019	Additions	Disposals	Balance as at 31/ 12/ 2019	Additions	Disposals	Balance as at 31/ 12/ 2020
Subsidiaries	21,453,011	331,795	-	21,784,806	56,422	-	21,841,228
Allowances	(108,702)			(108,702)	(7,590)	-	(116,292)
Revaluation	70,767	-	(65,150)	5,617	27,694	-	33,311
Total	21,415,076	331,795	(65,150)	21,681,721	76,526	-	21,758,247

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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

The breakdown of net book values of financial investments as at 31 December 2019 (in CZK thousands):

	Acquisition cost as at 31/ 12/ 2019	Allowances as at 31/ 12/ 2019	Revaluation	Net book value as at 31/ 12/ 2019
Zentiva, k.s.	14,548,560	-	(78,404)	14,470,156
Zentiva International a.s.	241,944	(52,233)	-	189,711
Zentiva HU Kft.	72,370	(56,469)	-	15,901
Zentiva S.A.	6,817,307	-	15,703	6,833,008
Solacium Pharma S.R.L.	175,329	-	(2,449)	172,880
Zentiva Bulgaria EOOD	65	-	-	65
Total	21,855,575	(108,702)	(65,150)	21,681,721

On 1 January 2019, as part of the merger, the value of the Company's investment in Zentiva, k.s., was increased to CZK 14,539,064 thousand. In addition, the Company's share in profit/loss of Zentiva k.s. increased to 99.9998% due to the merger. As at 31 December 2020, the foreign currency portion of the investment in Zentiva, k.s., was revalued and, as a result, its value increased by CZK 207,833 thousand.

On 16 September 2019, the partners approved the distribution of Zentiva, k.s.'s profit for 2018 to the General Partner in the amount of CZK 2,233,309 thousand. During the preparation of the financial statements for 2019, the profit or loss of Zentiva k.s. for 2018 was adjusted (profit decrease) in the amount of CZK 520,239 thousand. The receivable from the distribution of the 2018 profit of CZK 1,713,070 thousand and the transfer of the share in the Zentiva k.s.'s loss for 2019 of CZK 502,277 thousand was presented in the 'Receivables from partners' caption in the balance sheet and totaled CZK 1,210,793 thousand as at 31 December 2019.

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.

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.

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On 31 May 2019, the Board of Directors of Zentiva HU Kft. approved the distribution of the 2018 profit of CZK 117,349 thousand (HUF 1,474,049 thousand) in the form of a set-off against the interim dividend. Overpayment in the amount of CZK 565 thousand was paid back in 2020.

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.

Based on the Company's decision, 100% ownership interest in Solacium Pharma S.r.l. was acquired on 31 May 2019, including its 100% stake in Be Well Pharma S.r.l. Solacium distributes over-the-counter drugs under its own brands, which complement the Zentiva group's portfolio in the Romanian market. Be Well Pharma S.r.l. holds certain intellectual property rights.

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.

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.

Based on the Company's decision, Zentiva Bulgaria EOOD was established as at 31 October 2019, which did not start operations in the reported period.

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

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Subsidiaries and associates as at 31 December 2019 were as follows (in CZK thousands):

Financial information about Zentiva k.s., Zentiva International a.s. and Zentiva S.A. was obtained from the companies' audited financial statements for the year ended 31 December 2019. Audited financial statements of the other companies were not available as at the date of the preparation of the accompanying financial statements.

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	12,850,415	724,007	4,782	5,408,151	93,047	65
Equity	3,597,615	184,020	4,036	3,729,725	(34,805)	65
Basic capital and capital funds	3,597,520	195,251	3,844	502,961	1	65
Reserves from profit	88	-	-	826,960	-	-
Retained earnings	10	(4,650)	107	2,167,357	(41,399)	-
Profit for the current year	(3)	(6,581)	85	232,447	6,593	-
Acquisition cost of share / interest	14,539,064	241,944	72,370	6,756,034	175,329	65
Nominal value of share / interest	3,209,603	169,561	3,844	355,322	1	65
Intrinsic value of share/ interest	3,561,632	184,020	4,036	3,578,619	(34,805)	65

Other long-term financial investments:

As at 31 December 2020 and 2019, the Company recorded a long-term loan of CZK 3,073 thousand and CZK 11,899 thousand, respectively granted to European Medicines Verification Organisation, with its registered office at Rue Mil Neuf Cents 8, Luxembourg. At the beginning of 2021, the European Medicines Verification Organization announced its intention to repay the remaining part of the loan in full during 2021. Accordingly, the total amount of CZK 3,073 thousand is presented under short-term receivables in the 'Other receivables' caption in the accompanying financial statements. The long-term portion of the loan was presented within long-term investments in the 'Miscellaneous long-term investments' caption in the amount of CZK 5,949 thousand. In 2020 and 2019, the Company recorded interest income of CZK 344 thousand and CZK 492 thousand, respectively.

5. RECEIVABLES

As at 31 December 2020 and 2019, receivables overdue for more than 90 days totaled CZK 37 thousand and CZK 37 thousand, respectively.

As at 31 December 2020 and 2019, the Company had no receivables secured by collateral.

As at 31 December 2020 and 2019, the Company recorded a receivable from income tax of of CZK 0 thousand and CZK 192,940 thousand, respectively including a withholding tax paid abroad.

As at 31 December 2020 and 2019, the Company recorded unbilled revenues related to not yet billed services in the amount of CZK 143,220 thousand and CZK 27,406 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:	Transfer due to merger as at 1 January 2019	Additions	Deductions	Balance as at 31/ 12/ 2019	Additions	Deductions	Balance as at 31/ 12/ 2020
Intangible fixed assets	51,106	-	(3,070)	48,035	-	(9,945)	38,090
Financial investments	108,702	-	-	108,702	7,590	-	116,292

7. SHORT-TERM FINANCIAL ASSETS

Short-term financial assets consist of cash at bank.

The Company has an overdraft facility with Citibank Europe Plc (Composite Facility Agreement) comprising a shared credit line of CZK 119 thousand with Zentiva k.s. for both companies in aggregate.

The total unpaid portion of all credit facilities used by Zentiva, k.s., cannot exceed the maximum amount of CZK 119 million and the total unpaid portion of all credit facilities used by Zentiva Group, a.s., cannot exceed CZK 37 million, whilst the total unpaid portion of all credit facilities of both companies at the same time cannot exceed the maximum amount of CZK 119 million.

As at 31 December 2020 and 2019, the drawn down element of the overdraft (in accordance with the agreed credit line) was CZK 0 thousand and CZK 1,973 thousand, respectively.

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).

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9. EQUITY

Statement of changes in equity (in CZK thousands):

	Balance as at 31/ 12/ 2018	Effect of merger	Revaluation of investment	Decrease	Profit/loss transfer	Balance as at 31/ 12/ 2019	Increase	Decrease	Balance as at 31/ 12/ 2020
Number of shares	1	-	-	-	-	1	-	-	1
Basic capital	50	20,000	-	-	-	20,050	-	-	20,050
Other capital funds	7,273,983	-	-	-	-	7,273,983	-	-	7,273,983
Gain or loss on revaluation of assets and liabilities	32,859	26,265	(54,576)	-	-	4,548	22,434	-	26,982
Statutory and other reserves	-	3,450	-	-	-	3,450	-	-	3,450
Retained earnings/accumulated loss	-	1,685,533	-	-	110,968	1,796,501	-	(3,010,886)	(1,214,385)
Other profit (loss) brought forward	-	-	-	(421,394)	-	(421,394)	421,394	-	-
Profit (loss) for the year	110,968	-	-	(2,589,492)	(110,968)	(2,589,492)	2,589,492	(2,995,414)	(2,995,414)
Total	7,417,860	1,735,248	(54,576)	(3,010,886)	-	6,087,646	3,033,320	(6,006,300)	3,114,667

As at 31 December 2020, 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 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. At the same time, the related deferred tax totalling CZK 6,329 thousand was recognized. As at 31 December 2019, the financial investments in Zentiva k.s., Zentiva S.A. and Solacium in Romania were revalued in the aggregate amount of CZK 5,617 thousand. At the same time, the related deferred tax totalling CZK (1,067) thousand was recognized.

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

10. PROVISIONS

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

Provisions	At beginning of year	Transfer due to merger as at 1 January 2019	Additions	Deductions	Opening balance as at 1 January 2020	Additions	Deductions	Balance as at 31/ 12/ 2020
Other	-	22,695	15,291	(14,422)	23,564	10,221	14,395	19,390

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

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As at 31 December 2019, the Company recognized a provision, in particular, for employee benefits based on the collective bargaining agreement and also a provision for jubilee and retirement pensions; the Company also recorded a provision of CZK 18,290 thousand for retention bonuses.

11. CURRENT LIABILITIES

As at 31 December 2020 and 2019, the Company had overdue current trade payables totaling CZK 20,675 thousand and CZK 83,163 thousand, respectively.

As at 31 December 2020 and 2019, the Company had liabilities of CZK 13,630 thousand and CZK 12,236 thousand, respectively, owing to social security and health insurance premiums, respectively.

As at 31 December 2020, unbilled deliveries represent, 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 2019, unbilled deliveries represented, in particular, estimated supplies of goods and services of CZK 154,687 thousand and accrued vacation of CZK 15,895 thousand.

As at 31 December 2020 and 2019, the Company recorded a VAT liability of CZK 12,927 thousand and CZK 39,562 thousand, respectively.

As at 31 December 2020, the Company recorded a liability from income tax of CZK 1,308 thousand after recognizing a withholding tax paid abroad. As at 31 December 2019, the Company recorded a receivable from income tax of CZK 192,940 thousand including a withholding tax paid abroad.

Payables to related parties (see Note 19).

12. BANK LOANS AND BORROWINGS

Bank	31/ 12/ 2020 Amount in CZK thousands	31/ 12/ 2019 Amount in CZK thousands
Citibank – overdrafts (due within one year)	-	1,973

In 2020 and 2019, the interest expense related to the overdraft facilities was CZK 18 thousand and CZK 140 thousand, respectively.

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.

	2020 (in CZK thousands)	2019 (in CZK thousands)
Profit before taxes incl. the transfer of profit share to General Partner	(3,258,700)	(3,447,578)
Non-taxable revenues		-
Dividends received during the year	-	1,273
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	(13,211)	(17,862)
Changes in allowances and provisions	(7,286)	24,570
Other (e.g. entertainment expenses, shortages and losses incl. reversal of overestimates from prior years)	1,713,130	457,104
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. incl. deduction of research and development costs)	(150,585)	323,773
Donations and gifts	-	-
Transaction related financial investment in subsidiary (see Note 4c)	-	-
Tax base	(629,332)	(1,571,401)
Current income tax rate	19%	19%
Tax	-	-
Tax relief	-	-
Tax relief transferred from Zentiva, k.s.	-	-
Prior-year adjustments	3,705	(7,725)
Current tax expense	3,705	(7,725)

As at the financial statements' date the calculation of the 2020 income tax expense is preliminary. The calculation of the income tax for 2019 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/ 2020		Balance as at 31/ 12/ 2019 Zentiva Group a.s.	
	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		(5,052)		(2,555)
Difference between net book value of fixed assets of Zentiva, k.s. for accounting and tax purposes		(172,370)		(109,084)
Other temporary differences:				
Revaluation of financial investment		(6,329)		(1,067)
Unbilled deliveries	32,210		25,832	
Contingencies of Zentiva, k.s.	19,885		15,668	
Allowance against fixed assets	7,237		15,322	
Allowance against fixed assets of Zentiva, k.s.	24,154		13,789	
Allowance against receivables of Zentiva, k.s.	1,642		404	
Allowance against inventory of Zentiva, k.s.	14,843		12,559	
Provisions	2,842		4,167	
Provisions of Zentiva, k.s.	30,021		29,788	
Deferred tax arising from research and development costs deduction	54,724		28,105	
Deferred tax arising from training costs deduction	51		51	
Deferred tax arising from interest deductibility	182,309			
Deferred tax arising from tax loss	407,108		298,566	
Total	777,026	(183,751)	444,253	(112,705)
Net	593,276		331,548	
Change in deferred tax recognized into equity		6,329		1,067

As at 31 December 2020 and 2019, the Company recorded a deferred tax asset of CZK 593,276 thousand and CZK 331,548 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 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

As at 31 December 2019, assets which are being used by the Company under operating leases consist of the following (in CZK thousands):

Description	Terms/Conditions	Expense in 2019	Cost
Operating lease of cars	36 - 48 months or up to specific mileage	21,596	84,369
SAP CEP AIX/IBM	From April 2018 for 33 months, by December 2020	8,786	24,162
SAP Zentiva Infrastructure	From April 2018 for 45 months, by December 2020	5,028	18,854
Veronese CAPEX	From January 2019 for 24 months, by December 2020	26,700	62,083
Refresh on Zentiva premises	From October 2019 for 48 months, by September 2023	1,952	31,224

The Company used no assets under finance leases as at 31 December 2020 and 2019, respectively.

16. COMMITMENTS AND CONTINGENCIES

As at 31 December 2020 and 2019, 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):

	2020	2019
Czech Republic	1,839,058	2,536,076
Slovakia	77,146	57,832
Other (foreign)	400,024	265,375
Total revenues	2,316,228	2,859,283

As at 1 July 2020, the assets of the ZENTIVA BULGARIA BRANCH were sold to ALVOGEN PHARMA BULGARIA EOOD. Related income of CZK 22,708 thousand was 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 2020 and 2019 is as follows (in CZK thousands):

	2020		2019	
	Total personnel	Management	Total personnel	Management
Average number of employees	441	6	445	6
Wages and salaries	671,776	87,143	806,261	273,269
Social security and health insurance	178,608	11,141	186,151	28,214
Social cost	12,002	130	11,536	147
Total personnel expenses	862,386	98,414	1,003,948	301,630

In 2020 and 2019, the members of statutory and supervisory bodies received total bonuses and other remuneration of CZK 19,778 thousand and CZK 16,604 thousand, respectively.

In 2020 and 2019, 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 2020 and 2019, sales of the Company within the Group totaled CZK 2,315,979 thousand and CZK 2,859,283 thousand, respectively.

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

Related party	31/ 12/ 2020	31/ 12/ 2019
Zentiva, k.s.	75,991	122,034
Zentiva Pharma UK Ltd.	622	2,544
Zentiva Italia SRL	3,677	-
Zentiva France	717	6,097
Zentiva S.A.	291,271	330,359
Zentiva, a.s.	10,782	19,723
Zentiva Pharma GmbH	1,832	20,880
Zentiva Portugal	574	2,489
Zentiva International, a.s.	1,759	628
Zentiva HU	514	578
Zentiva Poland	216	7,639
Helvepharm AG	889	2,295
Zentiva Denmark ApS	66	-
Alvogen Pharma Trading Europe EOOD	11,423	-
Alvogen Pharma Bulgaria EOOD	23,642	-
Total	423,975	515,266

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

Related party	31/ 12/ 2020	31/ 12/ 2019
Zentiva, k.s.	73,937	5,806
Al Sirona (Luxembourg) Acquisition S.à r.l.	-	18,216
Alvogen Pharma Trading Europe EOOD	65,613	-
Total	139,550	24,022

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

Related party	31/ 12/ 2020	31/ 12/ 2019
Zentiva, k.s.	143,605	71,948
Zentiva Pharma UK Ltd.	5,259	2,353
Zentiva Italia SRL	7,388	4,117
Zentiva France	10,749	5,170
Zentiva S.A.	26,320	8,495
Zentiva, a.s.	8,436	-
Zentiva Portugal	2,634	2,484
Zentiva International, a.s.	-	194
Zentiva Poland	9,984	4,881
Zentiva Pharma GmbH	8,445	3,872
Helvepharm	3,550	1,494
Zentiva Denmark ApS	133	-
Total	226,502	105,008

As at 31 December 2020 and 2019, the Company recorded deferred income of CZK 32,026 thousand and CZK 35,649 thousand, respectively comprising billings for promo and marketing services to Zentiva k.s.; the invoices are issued quarterly prior to the beginning of the given quarter.

The Company receives services from related parties in the ordinary course of business. 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 services provided by Zentiva S.A. when working on central projects. In 2019, purchases were CZK 1,233 thousand and included mainly purchase of insurance-related services.

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

Related party	31/ 12/ 2020	31/ 12/ 2019
Zentiva, k.s.	1,189	1,486
Zentiva S.A.	4,062	263
Total	5,250	1,749

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

Related party	31/ 12/ 2020	31/ 12/ 2019
Zentiva, k.s.	13,636	14,439
Zentiva S.A.	32,187	-
Zentiva International a.s.	186	-
Zentiva a.s.	-	9,567
Total	46,009	24,006

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

Related party	31/ 12/ 2020	31/ 12/ 2019	Interest income in 2020	Interest income in 2019
Zentiva, k.s. – share in profit	-	1,210,793	-	-
Zentiva k.s. – other	-	154	-	-
AI Sirona Luxembourg – purchase price adjustment	-	798,072	-	-
AI Sirona Luxembourg – cash pooling/other	20,003	65,580	-	48
Solacium Pharma s.r.l.	-	15,460	281	5,411
Total	20,003	2,090,059	281	5,459

The receivable from AI Sirona Luxembourg as at 31 December 2020 arose as an overpayment after payment of interest on long-term loans.

In 2020, due to the transferred losses, the receivable from the share in profit of Zentiva k.s. 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 March 2020, a loan provided to Solacium Pharma S.r.l. of CZK 15,460 thousand was repaid.

In December 2020, the receivable from AI Sirona Luxembourg of CZK 798,072 thousand was settled by offsetting partly against the long-term loan principal and partly against the cash pool liability.

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 AI 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/ 2020	31/ 12/ 2019	Interest expense in 2020	Interest expense in 2019
AI Sirona Luxembourg – cash pooling including outstanding interest	3,454,306	1,888,756	-	-
Zentiva S.A. – short-term loan including unpaid interest	-	2,019,131	49,261	60,039
Zentiva HU Kft – overpayment of 2018 interim dividend	-	565	-	-
Zentiva k.s. – withholding tax and other	-	129,345	-	-
Zentiva k.s. – loss compensation	217,928	-	-	-
Total	3,672,234	4,037,798	49,261	60,039

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

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Description	Initial date	Interest rate	Balance as at 31/ 12/ 2020	Balance as at 31/ 12/ 2019	Interest expense in 2020	Interest expense in 2019
CP CZK *	04/ 01/ 2019	4.03% + 3M PRIBOR	-	-	-	1,100
CP EUR	02/ 11/ 2018	4.03% + 3M EURIBOR	921,160	1,469,419	77,977	35,147
CP GBP	30/ 10/ 2018	4.03% + 3M LIBOR	279,755	284,439	12,372	6,558
CP RON	26/ 03/ 2019	4.03% + 3M ROBOR	2,253,391	134,899	20,712	9,854
Total			3,454,306	1,888,756	111,060	52,659

* CZK cash-pool terminated as at 30 April 2019.

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
AI Sirona Luxembourg	Loan in EUR	EURIBOR + margin	28/ 09/ 2025	12,502,678	734,051
AI Sirona Luxembourg	Loan in EUR	EURIBOR + margin	28/ 03/ 2025	9,843,701	582,930
AI Sirona Luxembourg	Loan in EUR (revolving)	EURIBOR + margin	28/ 09/ 2025	808,346	21,203
AI Sirona Luxembourg	Loan in GBP	LIBOR + margin	28/ 09/ 2025	3,962,323	244,523
Total				27,117,048	1,582,707

Loans granted by related parties as at 31 December 2019 were as follows (in CZK thousands):

Related party	Description	Interest rate	Due dates	Principal	Interest expense in 2019
AI Sirona Luxembourg	Loan in EUR	EURIBOR + margin	28/ 09/ 2025	12,156,690	715,581
AI Sirona Luxembourg	Loan in EUR	EURIBOR + margin	28/ 03/ 2025	9,487,138	569,405
AI Sirona Luxembourg	Loan in EUR (revolving)	EURIBOR + margin	28/ 09/ 2025	782,628	23,809
AI Sirona Luxembourg	Loan in GBP	LIBOR + margin	28/ 09/ 2025	4,029,431	257,911
Total				26,455,887	1,566,706

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).

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

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

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Other finance cost and income comprise realized and unrealized exchange rate gains and losses and hedging of foreign currency transactions made in 2020 and 2019, respectively.

Statutory auditor's fees were CZK 1,916 thousand and CZK 1,686 thousand in 2020 and 2019, respectively.

21. SUBSEQUENT EVENTS

In 2020 and 2021, COVID-19, the coronavirus infection in Europe affects the public, which is the end customer of the Zentiva group, and also has a significant impact on the global economy.




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.

22. STATEMENT OF CHANGES IN EQUITY (SEE NOTE 9)

Prepared on:	Signature of entity's statutory body:	Person responsible for accounting:	Person responsible for financial statements:
9 July 2021	 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 2020, 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 X 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 2020, 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 either 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.

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A handwritten signature in black ink, appearing to read 'Soucek', is written over the printed name.

Magdalena Soucek, Auditor
License No. 1291

9 July 2021
Prague, Czech Republic