DRS 1541 / 03.09.2024

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BUSINESS VALUATION REPORT

Zentiva S.A.

2024

SUMMARY OF VALUATION AND CONCLUSIONS

Purpose of valuation: Estimation of the equitable value of Zentiva S.A.'s shares, to establish the price for the exercise of the right to squeeze out, according to art. 44 paragraph 1, letter a) from the Law 24/2017 in conjunction with art. 80 of the ASF (Financial Supervision Authority) Regulation no. 5/2018.

Asset object of valuation: The object of the valuation is the shareholders' equity of Zentiva.

The company has its headquarters in 50 Theodor Pallady Boulevard, Bucharest, Romania, Fiscal Code 336206, Trade Registry no. J40/363/1991.

Equity value – the value of a business to all of its shareholders

Share of capital to be valued: 100% of share capital.

Main activity of the valued company: Manufacture of pharmaceutical preparations according to NACE 2120 – Manufacture of pharmaceutical preparations.

Valuation instructions: According to contract DRS no. 334/03.06.2024.

Valuation premises: The company was valued based on the going concern assumption, which implies the company can generate income without interruption going forward.

Type of estimated value: The value expressed in this report, in accordance with the purpose of the valuation, is the Equitable Value as it is defined in the Asset Valuation Standards, 2022 Edition, SEV 104 – Types of value:

"***Equitable value*** is the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties."

Valuation date: 30.06.2024

Assumptions and special assumptions: The estimated values are subject to the assumptions and special assumptions specified in chapter 1.9.

Valuation approaches: The income approach provides an indication of value by converting future cash flows to a single current capital value.

Various methods are used to indicate value under the income approach. Those methods include the capitalized cash flow or earnings method and the discounted cash flow method.

The result of the **income approach** (discounted cash-flow method - DCF) is: **4,5134 lei/share**.

The market approach compares the subject business to similar businesses, business ownership interests and securities that have been exchanged in the market and any relevant transactions of shares in the same business. Prior transactions or offers for any component of the business may be also indicative of value.

The result of the **market approach** (method of comparison with public companies transactions): **4,4253 lei/share**.

Conclusions and opinion of the valuer:

According to the above-mentioned results, our estimation regarding the value of 100% of Zentiva's shareholders' equity is:

3.145.890.900 lei, equivalent of **4,5134 lei/share**.

The opinion presented represents the cumulative value of the discounted profits available after all non-financial obligations have been paid (operating expenses, income tax, working capital requirements, investments intended to keep the assets in a condition suitable for carrying out the current activity), of which financial debts were deducted.

Additionally, the value of excess assets (non-operational, which do not contribute to the company's core activity), cash and other current assets not included in the working capital were considered.

The request for squeeze out is invoked based on art. 44 para. 1, lit. a) from Law 24/2017 in conjunction with art. 80 of the ASF Regulation no. 5/2018. According to this legal text, "In the case of a public offer of purchase/voluntary takeover, the price is determined by an authorized appraiser, according to the law, as per the evaluation standards in force, according to the law."

The company is traded on the capital market, and in such situations that fall under the ASF regulations, in the assessment for delisting, no discounts are applied for the lack of control, respectively for the lack of liquidity/marketability. A particular situation of this kind is also provided for in the ANEVAR Valuation Standards, 2022 edition, Valuation Guide – GEV 600 - Valuation of the enterprise, art. 64, Peculiarities: "In the case of the valuation of the shares issued by a company, carried out for its withdrawal from trading, no discounts are applied for the lack of control, respectively for the lack of liquidity/marketability."

DARIAN DRS S.A.

SUMMARY

1. SCOPE OF WORK

1.1. Identification and status of the appraiser

The valuation was conducted by Darian DRS S.A's appraisers, as follows:

- The valuation process has been conducted by Mihaela Luția, with ANEVAR authorization no. 17944 and Adeline Bontaș, with ANEVAR authorization no. 19493.
- The compliance with internal quality procedures of Darian DRS S.A., was verified by Mihaela Luția, with ANEVAR authorization no. 17944.

The appraisers did not receive any significant assistance from other third-party professionals.

The appraisers have the qualification and competence to carry out this assessment, which can be checked by interested parties in the Association Panel (http://nou.anevar.ro/pagini/tabloul-asociatiei).

All statements and facts presented in this report are true and correct; the analyses, opinions and conclusions presented are limited only by the assumptions (including the special ones) used and are personal analyses, opinions, and findings of the appraiser, being professionally unbiased. The appraisers were not influenced in any way in conducting the entire valuation process that let to the reported opinion.

The fee paid by the Client for this report has nothing to do with our opinion upon a certain value (valuation) or range of values. Additionally, we considered no favors for any interested party and our opinion is not influenced by the occurrence of a subsequent event.

The valuer has no present or prospective interest in the property subject to this valuation report and any interest or influence in related parties. Thus, the valuer could provide an objective and impartial opinion on the value.

From the perspective of the requirements of RICS Valuation - Global Standards, respectively PS 2 para 8, the valuation report was drawn up for and on behalf of DARIAN DRS SA under the supervision and with the supervision of the authorized valuer Mihaela Luția, ANEVAR ID no. 17944.

Supervision and supervision included:

- Coordination and supervision of the activity of all evaluators nominated above.
- Active participation in the stages of making the evaluation report.
- Supervision and verification of data collection, analyses, estimates and calculations made by the team of valuators.
- Verification of the compliance of the report with the mandatory requirements of RICS Valuation – Global Standards.

1.2. Identification of the client

In accordance with the agreement signed with the client and the scope of work, this report is addressed exclusively to Zentiva as a Client and Addressee and contains information appropriate only to its needs.

The appraiser will not deliver copies of this report or parts of it, to any third party unless it has been designated in writing, as a possible user, and cannot be held responsible for any damages caused by a third party holding and using such a copy. The responsibility of the appraiser is only to intended users and cannot be extended to any third party.

1.3. Identification of any other intended users

There are no other designated users of this report, besides the one mentioned in the previous subsection.

1.4. Identification of the asset to be valued

In accordance with the agreement signed with the client and the scope of work, the asset to be valued is 100% of Zentiva's shareholders' equity.

The company is a joint stock company and has its headquarters in 50 Theodor Pallady Boulevard, Bucharest, Fiscal Code 336206, Trade Registry no. J40/363/1991.

1.5. Valuation currency

According to the valuer's level of confidence in the accuracy of the results, the numerical expression of the final indication of the value was rounded to whole thousands of lei. Additionally, the value was converted into euros, at a rate of 4.9771 lei for one euro, valid for the date of 06.30.2024, the result being rounded. The validity of the expression of the value in the two currencies, as well as the balance between them, are valid at the time of expressing the opinion, the subsequent evolution of the value may be different in the two currencies.

1.6. Purpose of the valuation

This valuation report will be used exclusively under the terms and conditions of the agreement signed with the client (agreement DRS no.333/03.06.2024).

The purpose of the evaluation is to estimate the equitable value of ZENTIVA's shares, to establish the price for the exercise of the right to squeeze out, according to art. 44 paragraph 1, letter a) from the Law 24/2017 in conjunction with art. 80 of the ASF Regulation no. 5/2018.

ZENTIVA S.A. is a Romanian entity with registered office on Bd. Theodor Pallady, no. 50, Sector 3, Bucharest, Romania, registered at the Trade Registry Office under no. J40/363/1991, having CUI RO 336206.

The valuation report may not be used for any purpose other than that stated, the appraiser does not assume responsibility in any other circumstance or context in which the valuation report could be used.

1.7. Basis of value

It is essential that the type (or types) of the value is appropriate to the terms of reference and purpose of the valuation, as the type of value may influence or dictate the selection of valuation methods, inputs and assumptions, and ultimately the valuer's conclusion about the value.

The request for squeeze out is invoked based on art. 44 para. 1, lit. a) from Law 24/2017 in conjunction with art. 80 of the ASF Regulation no. 5/2018. According to this legal text, "In the case of a public offer of purchase/voluntary takeover, the price is determined by an authorized appraiser, according to the law, as per the evaluation standards in force, according to the law."

Considering the purpose of the valuation, the appropriate type of value to be used is equitable value, as it is defined in the **Asset Valuation Standards 2022 Edition, SEV 104 – Types of value** (paragraph 50), also defined in IVS2: **"*Equitable value* is the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties"**.

This value, usually due to the volatility of market conditions, has limited validity at the valuation date and may not be reached in case of possible future distress at an operational level, when both market conditions and sales opportunities or circumstances may differ from this moment.

The report is valid considering the economic, fiscal, legal and political circumstances at the valuation date. The conclusions outlined in this report may lose their validity should any of the conditions descrbied above change.

1.8. Valuation date

The valuation date is 30.06.2024. The conclusion on value was determined in the context of the specific market conditions at this date. The date of the report is 03.09.2024.

1.9. The nature and extent of the investigation and any limitations thereof

As part of the valuation process, the appraiser held preliminary discussions with the representatives of ZENTIVA S.A. and subsequently analyzed all relevant financial documents and data that could influence the valuation result, provided by the Client's representatives.

Specification	Expected actions	Limitations
Receiving and assuming homework	All necessary data and documents have been received.	
Property inspection	Not applicable.	
Assets inspected in previous projects	Not applicable.	
Collection of data about the city, area, neighborhood	Not applicable.	
Analyzes, judgments and calculations	We had access to all relevant data.	
Property rights	We will rely on the ownership information provided by the company. We will assume that the information provided is correct.	We will not examine the elements related to ownership. We will assume that the ownership is valid, without onerous or restrictive covenants, rights of way, easements, etc. which could negatively affect the value.
The condition of the buildings	Not applicable.	Not applicable.
Instalations	Not applicable.	Not applicable.
Urban plans	Not applicable.	Not applicable.
Building regulations	Not applicable.	Not applicable.
Road infrastructure	Not applicable.	Not applicable.
Contaminations and hazardous or harmful materials	Not applicable.	Not applicable.
Environmental problems	Not applicable.	Not applicable.
Floods	Not applicable.	Not applicable.
Radon gas	Not applicable.	Not applicable.
Energetic efficiency	Not applicable.	Not applicable.
ESG factors	Not applicable.	Not applicable.

1.10. Nature and source of information to be relied upon

A. Information provided by the client

- Reliable information
  - Annual financial statements for the period: 31.12.2017 – 31.12.2023
  - Trial balance as of 30.06.2024
  - Fixed asset register as of 30.06.2024
  - the total investment budget for the period 2025-2028
  - the detailed investment budget for 2024;
  - the revenue and expenditure budget forecast by the client for 2024-2028;
  - Specific data received regarding:
    - Ownership of the company
    - Disclosures related to operational metrics, business segmentation, product categories.

  The responsability for these information belongs exclusively to the Client.

- Information that substantiates the conclusion on the estimated value:
  - Revenue forecasts provided by the Client and approved by the General Shareholders' Meeting of the parent entity.
  - Cost forecasts provided by the Client and approved by the General Shareholders' Meeting of the parent entity.
  - Any relevant data that could influence valuation results

  These information were undertaken by the valuer after comparing it with market analysis results; adjustments were applied where significant differences have been observed.

B. Information collected by the valuer:

- Data regarding financial performance of other comparable companies (EBITDA margin, sales, working capital etc.) within the specific sector in which the company is operating; Sources of data:
  - TP Catalyst,
  - Kroll, Cost of Capital (https://www.kroll.com/en/cost-of-capital)
  - National Bank of Romania (https://bnr.ro/Home.aspx)
  - Damodaran (http://pages.stern.nyu.edu/~adamodar/),
  - S&P Capital IQ Database (www.capitaliq.com),
- Data regarding specific market trends as a whole.

When estimating the value, the valuer used only the information available at the date of valuation; it is possible that other information, unknown to the valuer could exist.

The valuer cannot be held responsible under any circumstance for misleading information, false or incomplete, received form the owner/client.

1.11. Assumptions and special assumptions

The value is estimated under the condition of achieving the assumptions described below. If at least one of the assumptions below is demonstrated as not being valid, the estimated value is invalided.

The main assumptions considered within the present valuation report are:

Assumptions:

The value is estimated under the condition of converging to the assumptions described below and especially the assumption that the situations described below do not generate any restrictions except for those expressly stated in the report and their impact is expressly described as being taken into consideration. If at least one of the assumptions below is demonstrated as not being valid, the estimated value is invalided.

The main assumptions considered within the present valuation report are presented below:

Assumptions:

- ✓ The legal aspects are based exclusively on the information and the documents received from ZENTIVA S.A.'s representatives. These have been presented without making any verifications or additional investigations. The property right is considered valid and marketable.
- ✓ The information provided by third parties is considered to be reliable, but no warranty or guarantee is given for its accuracy.
- ✓ The appraiser did not conduct an inspection of the property, plant, and equipment of the company.
- ✓ We have not undertaken any investigation to determine the existence of contaminants. It is assumed that there are no apparent or hidden conditions of property and equipment, soil or structure that could influence the terminal value. The valuer does not assume any responsibility for such conditions or to obtain the necessary studies to reveal them.
- ✓ The current state of the analyzed company and the valuation purpose determined the selection of methods used in estimating the equitable value.
- ✓ The analysis of company's financial statements in the current report does not imply that we undertook a financial audit or due diligence of the company. We do not take any responsibility regarding the integrity of any financial information received from the company representatives.
- ✓ The estimated equitable value is valid only at the date of valuation. Given that market conditions can change, the estimated value can be different in any other moment in time.
- ✓ We assume that current legislation will remain unchanged, and we have not taken into account any changes that may occur going forward.
- ✓ The coming into possession of a copy of this report does not give the right to publish it, without our consent.
- ✓ The appraiser, through the nature of his/her work, is not obliged to offer further consultancy or to testify in a court of law in relation to the named property.

- ✓ This present report or parts of it shall not be published without the written consent of the parties mentioned in chapter 1.2 (conclusions regarding the values, or the appraisers' identity).
- ✓ Any values estimated in the report are applied to the entire business and any division or distribution of the value on fractioned interests will invalidate the estimated value, except for the case in which such a distribution has been specified in the report.
- ✓ The report is valid considering the economic, fiscal, legal and political circumstances at the valuation date. The conclusions of this report may lose validity should the conditions described above change.
- ✓ This valuation report does not imply conducting a property, plant, and equipment due diligence. The valuation was performed solely based on the list and the information received from representatives of the client / owner.
- ✓ When estimating the value, the valuer used only the information available at the date of valuation; it is possible that other information, unknown to the valuer could exist. Any inconsistencies occurred, for this reason or from failure of assumptions, require reconsideration of the assessment.

The actual process of valuation is based on the following special assumptions: Not applicable.

1.12. Description of the report

The valuation report is a narrative report, prepared in accordance with SEV 103 and includes, in addition to the terms of reference, the description of all relevant data, facts, analyzes, calculations and judgements, on which the opinion is relied. Regarding the indication of the reported value, no deviations from that Standard were necessary.

1.13. Restriction of use, distribution, or publication

The valuation report, in whole or in part, or any reference to it cannot be published nor included in a document for publication without the prior written consent of the appraiser, specifying the form and context in which it will occur. The publication, in whole or part, and use by other persons, entails the termination of contractual obligations. Also, a third-party taking possession of a copy of this report does not imply the right to publish it.

1.14. Confirmation that the valuation will be undertaken in accordance with the SEV

General Standards

- Definitions and concepts underlying this report are those of SEV 100 – Framework (IVS - Framework)
- The valuation mission was defined in accordance with the SEV 101 – Scope of work (IVS 101) and conducted in accordance with the provisions SEV 102 – Documentation and compliance (IVS 102)
- This valuation report is prepared in compliance with requirements SEV 103 - Reporting (IVS 103)
- SEV 104 – Types of value.
- SEV 105 – Approaches and methods of valuation.

Standards for assets

- The object of the valuation being a company, the valuation was conducted in compliance with the SEV 200 – Business and business interest (IVS 200) and GEV 600 – Business Valuation.
- For the valuation of real estate non-operating assets, the provisions of SEV 230 - Real Estate Rights (IVS 230) and GEV 630 - Valuation of real estate were considered.
- For the valuation of non-operating machinery and equipment, the provisions of SEV 220 – Plant and equipment (IVS 220) and GEV 620 Valuation of plant and equipment were considered.

Standards for specific use:

- The purpose being financial reporting, the valuation has been conducted in compliance with SEV

430 – Valuation for financial reporting.

According to the contractual provisions and guidelines of the valuation, the present valuation report complies with the SEV and IVS requirements.

Darian is a company recognized by RICS, and in this sense it respects the mandatory regulations from the set of RICS Valuation - Global Standards (Red Book).

The property valuation activity is regulated in Romania by law, so the provisions of RICS Valuation – Global Standards, PS 1 para. 4 are applicable to this valuation report, which means that the valuation report complies with the provisions of the Compulsory Asset Valuation Standards in Romania but was also drawn up in compliance with RICS Valuation - Global Standards requirements.

The exceptions to the application of RICS Valuation – Global Standards, PS 1 are the following:

- The provisions of PS 1 para 3.5 cannot be applied in Romania: the building measurement system is the official one established by the national measurement standards imposed by the Romanian legislation; in this context the consideration of IPMS (International Property Measurement Standards) is not possible.

The standards applied in the valuation mission are:

SEV	IVS	RICS
General standards	**General standards**	**Professional standards (PS), Valuation technical and performance standards (VPS)**
SEV 100 - Framework	IVS Framework	PS 2 – Ethics, competency, objectivity, and disclosures
SEV 101 - Scope of work	IVS 101- Scope of work	VPS 1 – Terms of engagement
SEV 102 - Documentation and compliance	IVS 102 – Investigations and compliance	PS 1 – Compliance with standards where a written valuation is provided VPS 2 – Inspections, investigations, and records
SEV 103 - Reporting	IVS 103 – Reporting	VPS 3 – Valuation reports
SEV 104 - Bases of Value	IVS 104 – Bases of Value	VPS 4 – Bases of value, assumptions, and special assumptions
SEV 105 - Valuation Approaches and Methods	IVS 105 – Valuation Approaches and Methods	VPS 5 – Valuation approaches and methods
Asset Standards	**Asset Standards**	**Valuation practice guidance – applications (VPGA)**
SEV 200 Businesses and Business Interests	IVS 200 Businesses and Business Interests	VPGA 3 – Valuation of businesses and business interests
Guides		**Valuation practice guidance – applications (VPGA)**
GEV 600 Business Valuation		

2. COMPANY PRESENTATION AND DIAGNOSIS

2.1. General presentation

Company name: Zentiva S.A.

Headquarters: 50 Theodor Pallady Boulevard, Bucharest

Web site: https://www.zentiva.ro

Main activity: 2120 – Manufacture of pharmaceutical preparations

Trade Registry: J40/363/1991

Fiscal Code: 336206

ZENTIVA SA (hereinafter, the "Company") was established in 1962 under the name Intreprinderea de Medicamente Bucuresti (hereinafter "IMB"). In 1990, the Company was incorporated, taking over the entire patrimony of the former IMB in accordance with the Government's Decision. Currently ZENTIVA S.A. is traded on the Bucharest Stock Exchange on the main/regulated market, under the trading ticker SCD, being one of the most important companies in the Romanian pharmaceutical sector.

Zentiva SA is a Romanian pharmaceutical company, specialized in the production of generic drugs.

The portfolio is complex and extensive, covering therapeutic areas such as cardiology, gastroenterology, hematology, oncology, urology, pulmonology, rheumatology and pain management.

Zentiva is one of the largest manufacturers of generic drugs in Romania, offering a wide range of pharmaceutical products intended for various conditions. The company has 1,035 employees at the end of the first semester.

Zentiva group entered the top 3 pharmaceutical companies (in value) in Romania and is the leader based on the volume of the total pharmaceutical market, 1 out of 10 drugs sold in pharmacies belong to companies from the Zentiva group in Romania, according to (IQVIA, sell-in date, all market -RX + OTC, Originals + Generics, December 2020).

Through the two factories in Bucharest (Zentiva factory and Labormed factory), the company consolidated its impact and contribution in the local pharmaceutical market. Zentiva factory has been operating continuously since its inauguration in 1962, and Labormed factory is one of the most modern production units of oral solid medicines in Romania, the result of the first greenfield investment in the pharmaceutical industry in our country.

Currently, Zentiva is the largest domestic generic producer in terms of volumes sold.

The Zentiva Group is a generic and OTC drug manufacturer with four production facilities in the Czech Republic, Romania and India. These manufacturing facilities produce more than 70% of Zentiva's product portfolio. The group is present in 35 countries through a network of 31 subsidiaries and 7 branches.

History of the main transactions carried out by the Zentiva group:

- On October 12, 2005, Venoma shares were purchased by Zentiva N.V., a Dutch company based in Amsterdam, Holland, with branches in several European countries.
- In October 2005, Zentiva NV made a public offer to purchase the shares of the issuer Sicomed SA, later called Zentiva SA.
- In March 2009, Sanofi - Aventis Europe announced that it had become a shareholder of Zentiva N.V. with a holding of approximately 96.8% of the shares.
- In August 2009, Sanofi - Aventis Europe made a public offer to buy the shares of the issuer Zentiva SA. Between February 20, 2018 and April 5, 2018, Sanofi - Aventis Europe, through Zentiva N.V., carried out a public purchase offer, following which it acquired 48,216,352 shares, thus reaching a holding of 93.2295% of the Company's share capital.
- On August 31, 2018, the transfer of shares from Venoma Holdings Limited, ZENTIVA NV and Sanofi Aventis Europe to Zentiva Group a.s. was registered. as a result, Zentiva Group a.s. became a shareholder of Zentiva SA (holding 93.2295% of the share capital).

- On 30.09.2018, the transfer of shares between Zentiva N.V. was completed. (100% owned and controlled by Sanofi Aventis Europe), as seller, and AI Sirona BidCo s.r.o. (100% owned and controlled by AI Sirona (Luxembourg) Acquisition S. à r.l., a company which is in turn wholly owned by AI Sirona (Luxembourg) Subco S. à r.l. and ultimately controlled by Advent Funds GPE VIII, a fund managed by Advent International Corporation), as the buyer, through which control over Zentiva Group a.s. was transferred. On 31.12.2018, Zentiva Group a.s. held 93.2295% of the Company's share capital.

- During the period 18.12.2018 – 11.01.2019, Zentiva Group a.s. carried out a mandatory public purchase offer, as a result of which it reached a holding of 93.2776% of the Company's share capital.

- During the period 05.07.2019 – 05.08.2019 (subscription period), the Company carried out the operation of increasing the share capital with the granting of preferential rights, by issuing a number of 300,000,000 new shares, which were offered for subscription to the shareholders registered in the register of the Company's shareholders held by Depozitarul Central SA.

2.2. Legal diagnosis

The presentation of the legal aspects and all the aspects shown in the entire report are based on the documents and information provided by the management and the authorized people from the specialized departments of the company.

2.3. Legal form

ZENTIVA S.A. is a commercial company that operates according to the legislation applicable on the territory of Romania, namely Law no. 31/1990 on commercial companies, being organized as a joint-stock company.

2.4. Ownership

The shareholders` equity, at the valuation date (30.06.2024), is held by the following:

Nr. crt.	Shareholder	Number of shares	Nominal value (lei)	Equity (lei)	Percentage of equity (%)
1	Zentiva Group a.s.*	668,778,101	0.1	66,877,810	95.9486%
2	People	27,918,979	0.1	2,791,898	4.0055%
3	Legal entities (companies)	319,960	0.1	31,996	0.0459%
TOTAL		**697,017,040**		**69,701,704**	**100%**

Sursa: Zentiva, BVB, Darian DRS

The company is a joint stock company having a share capital of RON 69,701,704, divided into 697,017,040 nominal shares with a nominal value of RON 0.1 per share.

2.5. Property, plant, and equipment ownership

The operational activity of Zentiva S.A. takes place in Bd. Theodor Pallady no. 50, on the Dudești industrial platform, in the southeast area of Bucharest. The company owns land, with a total cumulative area of 77,877 sqm.

A schematic description of the location where the company operates is shown in the table below:

Nr. crt	Name	Address	Nr. CF	Area (sqm)	Destination
1	Urban land	Loc. Bucuresti Sectorul 3, Str Th. Pallady, Nr. 50, Jud. Bucuresti	200173	2,193	Access road
2	Urban land with buildings		235755	58,146	Buildings C1-C21
3	Urban land with buildings		222183	1,209	Buildings C1- plant and offices
4	Urban land		214519	98	Access road
5	Urban land with buildings		200333	4,674	Buildings C1-C4
6	Urban land with buildings		200334	11,103	Building C12 - post trafo
7	Urban land		200331	455	
	TOTAL			**77,878**	

According to the data received from the client, the company has full ownership over the real estate assets and equipment in the patrimony, based on the sale and purchase agreements and the certificates attesting the property right, except for a land plot with identification number 200173 where it owns half of the property rights for the respective plot and an industrial hall with cadastral number 222183 for which it owns 67.15% of the property rights in cause.

Rentals

According to the information found on the Company's website on 30.06.2024, it has the following rental contracts, recognized in the category of "Assets related to the right of use":

- Leasing contracts for cars for company staff;
- Packaging line rental;
- The rental contract for the storage space owned by FM Logistic;
- Lease contract for IT equipment.

Zentiva has a building lease for medicines storage.

2.6. Share interest and other financial assets

At the valuation date, the company does not hold financial assets.

2.7. Intangibles

ZENTIVA S.A. owns, at the valuation date, intangible assets worth 29,723,050 lei. These are mainly made up of customer relationships, goodwill and other intangible assets. In the latter category, intangible assets such as computer programs, research and development expenses, patents, licenses and trademarks are recognized.

2.8. Provisions

On 30.06.2024, the subject company had provisions in the total amount of 12.9 million lei. These include provisions for taxes in the amount of 3.5 million lei, intended to cover obligations to the state budget, provisions for the environment in the amount of 1.26 million lei, and provisions for pensions and other similar obligations, in the amount of 8.06 million lei.

2.9. Receivables

On 30.06.2024, the company's trade receivables were worth 1.12 billion lei. The balance of the cash pooling deposit is 623,839,110 lei. A breakdown of receivables is presented in the table below:

Nr. crt.		Balance at 30.06.2024
1	Trade receivables	499,292,805
2	Receivables from related entities (451 - 495)	623,839,110
3	Other receivables	605,330
	Total (lei)	**1,123,737,245**

2.10. Inventory

We present in the following table the analytical situation of inventory on 30.06.2024:

Inventory	30.06.2024
Goods	54,611,641
Finished and semi-finished products	67,004,512
Raw materials and materials	67,124,488
Packaging	21,291,383
Minus:	
Inventory depreciation	(14,105,719)
TOTAL (lei)	**195,926,305**

2.11. Litigations

At the valuation date, according to the information found in the semi-annual report, the Company is involved in several disputes, the most significant of which are briefly presented below:

- In December 2020, the Company filed a lawsuit against the National Health Insurance Company ("CNAS") by which it requested the VAT paid, related to the claw back tax for the first quarter of 2020. In this litigation, respectively in file no. 7592/2/2020, the trial was suspended because of the referral to the Constitutional Court of Romania with the exception of the unconstitutionality of the provisions of the phrase "starting with the first quarter of 2020" contained in para. 1 of art. 37 of GEO no. 77/2011. On 30.06.2024, the file registered at the Constitutional Court of Romania under no. 665D/2022 is still in the report phase.

- On 25.04.2024, the Company was notified of a summons request by the Bucharest Court, Civil Division III, together with Zentiva k.s., a company that is part of the same group as the Company, as defendants, in a lawsuit with Bayer HealthCare LLC, Bayer AG and Bayer SRL, as plaintiffs. The case is the subject of file no. 5615/3/2024, has as its object the obligation of the defendants, jointly and severally, to pay the provisionally established amount of 100,000 Euros and is in the procedural phase of the fund. The first term in this file was set for November 6, 2024.

The management of the Company believes that these disputes will not have a significant impact on the operations and the financial position of the company.

In the half-yearly report, it is mentioned that there are no disputes or administrative procedures in which the members of the Board of Directors or those of the executive management are involved.

2.12. Insurance

The insurance policies as of 30.06.2024, according to the information provided by the client, are presented in the following table:

Type of Insurance	Main Limit	Main Deductible	Aniversary Date
General Liability & Product Liability	50 MEUR aggregate / 10 MEUR per claim	20 kEUR - Product liability 2 kEUR - General Liability	29.09.2025
Product Recall & Extended product Liability	10 MEUR Product Recall 10 MEUR Extended PL	100 kEUR Product Recall 10 kEUR Extended PL	29.09.2025
Property Damage & Business Interruption	Annual Policy limit - 340 MEUR Sum insured - (various sub-limits depending on the risk)	Flexa perils - 25 kEUR (various deductibles depending on the risk)	29.09.2024
CYBER	20 M Eur	1 M Eur	01.08.2025
CARGO (2)	1 MEUR per claim&conveyance (no aggregate policy limity	General deductible: 30 kEUR	29.09.2024

Source: Zentiva

2.13. Debt and other liabilities

According to the information valid on 30.06.2024, the company has no contracted financial debts, but the Company has an unused credit facility of 10 million lei with BNP Paribas.

2.14. Operational diagnosis

Supply activity

From the information received, the main suppliers of the company ZENTIVA S.A. in the first six months are presented in the table below:

Nr.crt	Name
1.	Zentiva, k.s.
2.	ZENTIVA GROUP A.S.
3.	Shandong Xinhua Pharmaceutical /Eur
4.	BUSINESS TRAVEL TURISM SRL
5.	UHLMANN PAC SYSTEME GMBH
6.	LABORMED PHARMA TRADING SRL
7.	GERRESHEIMER BOLESLAWIEC S.A.
8.	Mega Fine Pharma (P) ltd.
9.	MSN LABORATORIES PRIVATE LTD
10.	TINMAR ENERGY S.A
11.	UP ROMANIA SRL
12.	EVONIK OPERATIONS GmbH
	Total (lei)

Based on information received from management, suppliers are paid between 60 and 90 days.

Customer structure

In the following, we present the main clients according to the turnovers of the first six months of 2024: Ropharma SA, Zentiva, k.s., Ropharma Logistic SA, DR. Max SRL, Farmexim SA, Labormed Pharma SA, Bio Eel SRL, Alliance Healthcare Romania SRL, Biotehnos SA., Fildas Trading SRL, Labormed Pharma Trading SRL and Dona. Logistica SA.

Based on the information received from management, trade receivables are collected between 60 and 120 days.

Licenses, permits, certificates and authorizations

According to the information received from the customer, the company holds the authorizations and operating licenses according to the provisions of the law.

The company has the following authorizations necessary to carry out the activity:

- Waste water takeover agreement 1521/31.08.2012 valid for an indefinite period.
- Water Management Authorization no. 205 - B of May 5, 2022, valid until April 30, 2026.
- Environmental authorization 234/7.05.2012 revised on June 22, 2021.
- Authorization for Wholesale Distribution of Pharmaceutical Products issued by the National Agency of Medicines and Medical Devices.
- Environmental management systems implemented according to EN ISO 14001:2015.

Investments

During the period under review, the company made the following investments:

	2018	2019	2020	2021	2022	2023	2024 budgeted
Investment value (EUR mil)	3.6	4.5	4.7	3.8	4.3	4.1	7.15
List of the main assets purchased	Capsule filling machine Pelletization Line	Optical Control ampoules Labeling machine	Fluid granulation line Packaging line UHL1 Roller Compactor	Fluid bed granulator (cont.) Aseptic filling Packaging line UHL1 (cont.)	Packaging line UHL2; Chillers loop optimization Aseptic building and utilities	Aseptic building and utilities (cont.); Packaging line UHL2 (cont.); Mixing unit;	New packaging line; Injectables extention; Aseptic line system preparation; and others.

Work in progress at 30.06.2024

The company has tangible fixed assets under construction at the valuation date in the amount of 47.7 million lei.

2.15. Commercial diagnosis

A brief overview of the country's macroeconomy during the 2020-2023 period

The period from 2020 to 2024 was marked by a high degree of uncertainty and instability in the global economy due to the COVID-19 pandemic and military conflicts that erupted during this time. In Romania, the economy experienced a sharp contraction in 2020, especially in the second quarter when restrictions were imposed to combat the spread of the virus. However, in the second half of 2020, the economy began to stabilize and gradually recover.

In 2021, Romania's economy registered significant growth, particularly in the first two quarters, as economic activity resumed. This growth was primarily driven by domestic consumption, investments, and exports.

In the first quarter of 2022, the war between Russia and Ukraine broke out, significantly impacting the national economy, especially in the context of geopolitical tensions and changes in trade and international relations. Some of the negative effects included unfavorable impacts on financial markets, disrupted trade exchanges, negative effects on tourism, and rising energy prices.

By 2023, many of the negative effects highlighted above had been managed; however, Romania's economy continued to face major challenges. First, the services sector, particularly tourism, was severely affected by the pandemic and war and will need time to fully recover. Additionally, there was significant inflationary pressure, especially due to rising energy and food prices, although the inflation rate showed a downward trend in 2023 compared to 2022.

Macroeconomic Analysis of 2024

In 2024, Romania faces moderate economic growth, estimated at 2.8% for the entire year, which is below its maximum potential. While higher real incomes support private consumption, slow job creation keeps the unemployment rate above pre-pandemic levels. Additionally, elevated inflation is expected to return to the target range by the end of 2025, provided that the National Bank maintains high interest rates.

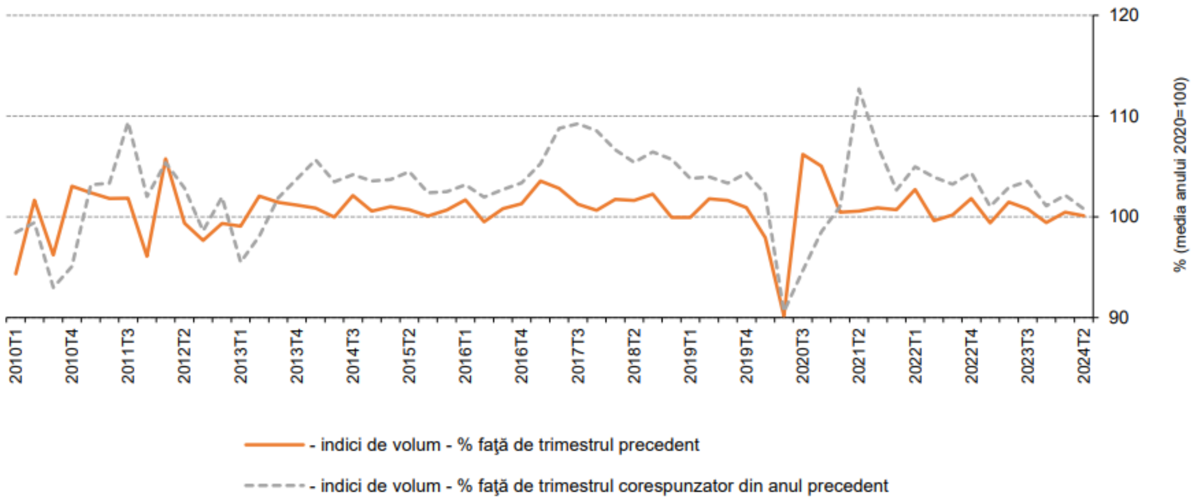
Given that 2024 is an election year, it could bring additional uncertainties to the economy. The government may adopt populist measures, such as increasing public spending to gain votes, which could place pressure on fiscal stability. This environment could slow down the pace of necessary economic reforms and negatively affect investor sentiment, potentially harming long-term growth prospects.

Romania’s medium- and long-term objectives include improving infrastructure, attracting foreign investments, recovering export volumes, increasing tax revenues through better VAT collection, and enhancing the business environment to ensure sustainable economic growth in the future.

According to data from the National Institute of Statistics, Romania’s gross domestic product (GDP) evolved as follows between 2018 and Q1 2024:

- In 2018, GDP saw a real growth of 6% compared to the previous year.
- In 2019, GDP continued to grow at a rate of 3.9%.
- In 2020, due to the COVID-19 pandemic, Romania’s economy suffered a significant contraction, with GDP declining by 3.7%.
- In 2021, Romania's economy recorded a 5.8% growth.
- In 2022, the real GDP was 4.8% higher than in 2021.
- In 2023, economic growth slowed to 1.8%, a downward revision of 0.4 basis points compared to autumn forecasts.
- In Q1 2024, GDP grew by 0.7% compared to the first half of the previous year.

Figure 1: Quarterly Gross Domestic Product of Romania, 2010 - Q1 2024 (Seasonally Adjusted Data)



Source: INSE

Macroeconomic forecasts

According to the European Commission's economic forecasts for Romania in the spring of 2024, Romania's economy is expected to grow by 3.3 basis points (b.p) compared to 2023 and by 3.1 b.p in 2025.

Figure 2: Macroeconomic forecasts for Romania

Indicators	2023	2024	2025
GDP growth (%, yoy)	2.1	3.3	3.1
Inflation (%, yoy)	9.7	5.9	4.0
Unemployment (%)	5.6	5.5	5.5
General government balance (% of GDP)	-6.6	-6.9	-7.0
Gross public debt (% of GDP)	48.8	50.9	53.9
Current account balance (% of GDP)	-6.7	-7.0	-6.6

Source: European Commission[1],

The unemployment rate is expected to remain stable throughout 2024 and 2025. According to the latest estimates, the budget execution for the first six months of 2024 confirms the assessment of the Fiscal Council[2], which anticipated a budget deficit of approximately 6.4% of GDP, significantly above the target of 5% of GDP. Without fiscal-budgetary consolidation measures, the deficit could exceed 7% of GDP, with a risk of reaching as high as 8% of GDP.

Macroeconomic Forecasts at the Level of the European Union and the Euro Area

According to the Spring Forecast, GDP growth in 2024 is estimated at 1.0% in the EU and 0.8% in the euro area. This represents a slight increase compared to the Winter Interim Forecast for the EU but remains unchanged for the euro area. GDP growth in the EU is projected to reach 1.6% in 2025, a downward revision of 0.1 basis points compared to winter. In the euro area, GDP growth in 2025 is projected to be slightly lower at 1.4%, also revised slightly downwards.

[1] https://economy-finance.ec.europa.eu/economic-surveillance-eu-economies/romania/economic-forecast-romania_en?

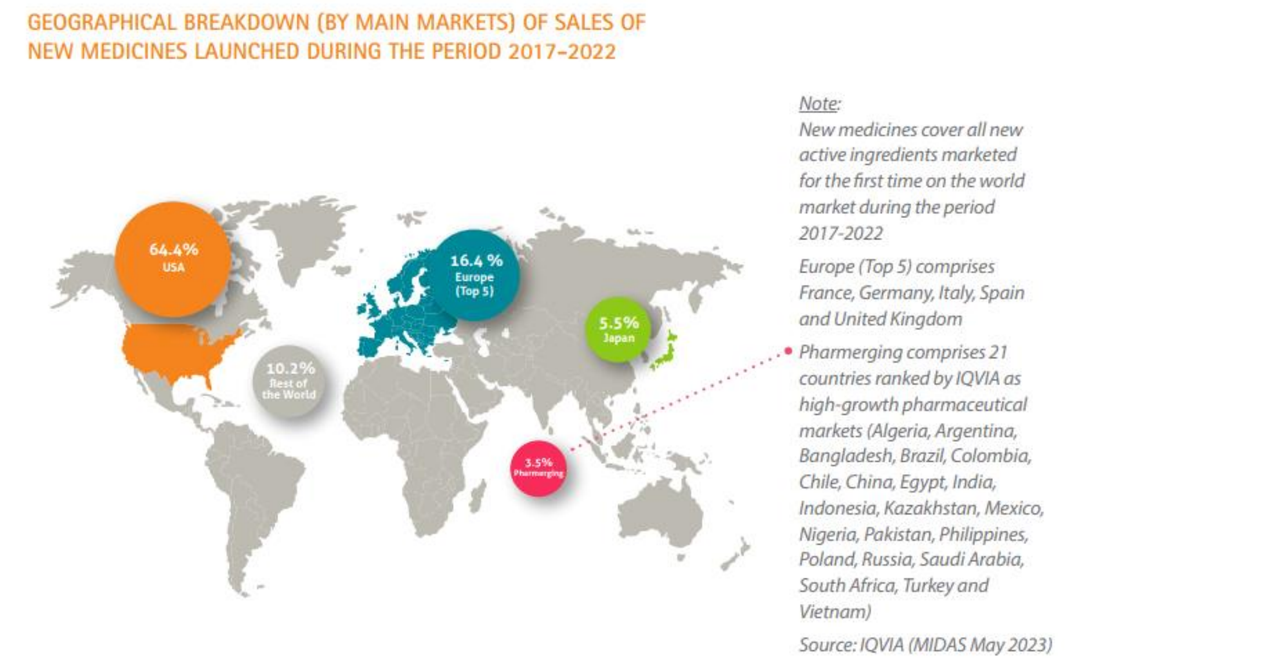
[2] https://www.consiliulfiscal.ro/CF%20RA%202023.pdf

An important aspect is that almost all member states are expected to return to economic growth in 2024. Economic growth in southern EU countries continues to outpace that of northern and western Europe, thereby contributing to the acceleration of economic convergence within the European Union.

Specific Market Analysis

The specific market in which the company Zentiva operates is the pharmaceutical industry, specifically the sector involved in manufacturing pharmaceutical products, both prescription (Rx) and over the counter (OTC). Globally, the pharmaceutical market is estimated to reach $1,600 billion in 2023, compared to $1,400 billion, with the Central and Eastern European market contributing 2% of the total.

Figure 3: Geographical Breakdown (by Main Markets) of Sales of New Medicines Launched During the Period 2017-2022



Source: European Federation of Pharmaceutical Industries and Associations[3],

Pharmaceutical Market in Romania

The pharmaceutical industry in Romania shows that in the first five months of 2024, the manufacturing of basic pharmaceutical products and pharmaceutical preparations decreased by 11.5% compared to the same period in the previous year, according to 360medical.ro. This decline in production in the first five months of 2024 follows a 1.5% decrease in pharmaceutical production in Romania in 2023 compared to the previous year.

The latest official statistics indicate that in 2023, imports of pharmaceutical products reached a record level of over 5 billion euros, while exports were more than four times lower.

According to the results of the Pharma & Hospital Report, Cegedim Customer Information (CCI) estimates that from July 2023 to June 2024, the volume of medicines dispensed to patients in Romania was 711.3 million units, a decrease of 1.1% compared to July 2022 – June 2023 (*the reference period*). The number of treatment days increased by 2.5% during the same period, and for prescription drugs from retail and hospitals, the number increased by 2%.

Figure 4: Forecasts for the Pharmaceutical Manufacturing Industry 2024 - 2027

	2022	2023	2024	2025	2026	2027
Pharmaceutical Manufacturing	7.9	-1.6	1.7	2.4	3	3.6

Source: National Commission for Strategy and Prognosis, *Estimation of Industry Trends in April 2024 based on economic analysis.*

[3] https://www.efpia.eu/media/rm4kzdlx/the-pharmaceutical-industry-in-figures-2023.pdf

According to the National Commission for Prognosis, the industry involved in the manufacturing of pharmaceutical products is expected to see a growth of 1.7% in 2024, followed by a period of growth ranging from 2.4% to 3.6% between 2025 and 2027. The prices for the manufacturing of basic pharmaceutical products and pharmaceutical preparations recorded an increase of 1.06% in March 2024 compared to the previous month, and an increase of 18.9% compared to the same month the previous year.

Total Volume of Medicines Dispensed

In the second quarter of 2024, the total volume of medicines dispensed was 170.3 million units, a decrease of 3.5% compared to the second quarter of 2023, due to a decline in the retail channel and modest growth in hospital medications. At the same time, the volume of prescription (Rx) medicines from pharmacies reached 417.7 million units, marking an increase of 0.4% compared to the previous year, while the volume of medicines from hospitals increased by 0.9%.

Figure 5: Historical Market Evolution in Volume and Value During the Period 2018 to 2024

An	Market Volume in Q2 (mil. units)	Variation	Market Value in Q2 (mld. Lei)	Variation
2018	146.8	-	3.8	-
2019	151.0	2.9%	4.4	15.7%
2020	132.4	-12.3%	3.9	-11.8%
2021	154.1	16.4%	5.1	29.4%
2022	169.8	10.2%	6.2	23.7%
2023	176.4	3.9%	7.3	16.3%
2024	170.3	-3.5%	8.2	12.9%

Source: Pharma & Hospital Report, Cegedim Cutormer Information, Darian DRS

Market Value

During the analyzed period (July 2023 – June 2024), the total market value was approximately 6.3 mld. euro (31.9 mld. lei), which is about 15% higher than the same period in the previous year. Prescription (Rx) drugs from pharmacies reached a value of 19.5 mld. lei, reflecting an increase of 18.2% compared to the reference period, while over-the-counter (OTC) products totaled 7.6 mld. lei, increasing by 6.6%. The hospital medicines segment accounted for 4.7 mld. lei, marking a 16.7% increase compared to the same period in 2022-2023.

In the second quarter of 2024, the total value of medicines dispensed to patients reached 8.20 mld. lei, representing a 12.8% increase compared to the same period last year. This growth was supported by a 10.4% increase in the retail sector and a significant 27.2% rise in hospital medicine dispenses. Within the retail channel, the value of prescription (Rx) medicines dispensed increased by 13.5%, while OTC products recorded a growth of 2.8%. It is worth noting that Rx medicines in retail included in cost-volume contracts increased by 18.2%, while those included in cost-volume-outcome contracts decreased by 65.5%. Other Rx medicines from retail advanced by 15.9% compared to the second quarter of 2023.

For the second quarter of 2024, a ranking of pharmaceutical producers based on volumes achieved has been prepared and is presented below:

Figure 6: Top Ten Companies in the Pharmaceutical Industry by Volume

Crt. No.	Corporation	Q2 2024 (mil. units)	MAT (2024 Q2) (mil. units)	Market Share (%)
1	Sun Pharma	17.3	72.7	10.2%
2	**Zentiva**	**15.9**	**65.0**	**9.1%**
3	Servier	10.9	42.7	6.0%
4	Krka D.D.	8.4	35.1	4.9%
5	Viatris	8.1	32.9	4.6%
6	Sanofi	7.3	30.7	4.3%
7	Antibiotice	5.6	25.3	3.6%
8	Menarini	5.5	22.5	3.2%
9	Biofarm	4.8	22.3	3.1%
10	Gedeon Richter	5.0	20.7	2.9%
	Top 10	**88.8**	**369.9**	**52.0%**
	Total Market	**170.3**	**711.3**	**100%**

Source: Pharma & Hospital Report, Cegedim Cutormer Information

For the first semester of 2024, a ranking of pharmaceutical producers based on sales is presented below:

Figure 7: Top Ten Companies in the Pharmaceutical Industry by Sales

Crt. No.	Corporation	Q2 2024 (mil. lei)	MAT (2024 Q2) (mil. lei)	Market Share (%)
1	ASTRAZENECA	424.4	1,529.7	4.8%
2	SANOFI	375.2	1,481.9	4.6%
3	SUN PHARMA	365.1	1,476.8	4.6%
4	**Zentiva**	**362.2**	**1,405.5**	**4.4%**
5	JOHNSON & JOHNSON	311.3	1,181.8	3.7%
6	Servier	301.6	1,169.4	3.7%
7	PFIZER	288.0	1,110.7	3.5%
8	NOVARTIS	250.7	928.8	2.9%
9	HOFFMANN LA ROCHE	248.3	904.8	2.8%
10	NOVO NORDISK	247.6	897.1	2.8%
	Top 10	**3,174.4**	**12,086.5**	**37.8%**
	Total Market	**8,195.6**	**31,986.4**	**100%**

Source: Pharma & Hospital Report, Cegedim Cutormer Information

In the first semester of 2024, the top three companies by value maintained their positions. AstraZeneca ranked first with 424.4 mil. lei, followed by Sanofi and Sun Pharma (including Terapia) with 365.1 mil. lei, and then came the company, Zentiva.

The company is among the top 10 pharmaceutical companies in Romania, with a market share of 4.4% based on sales and 9.1% of the market based on the volume of pharmaceutical products in the second quarter of 2024.

Market Trends and Regulations

The pharmaceutical market is regulated at both the production and distribution levels. The quality of raw materials, finished products, manufacturing processes of raw materials, analysis and control methods, distribution processes, and post-sale product supervision are regulated by legislation. Similarly, the prices for a large portion of human medications are regulated. The operation of pharmaceutical manufacturers, distributors, and pharmacies is closely linked to the existence of specific industry authorizations granted based on inspections by the National Agency for Medicines and Medical Devices (NAMMDR) in Romania.

The pharmaceutical market shows a continuous growth trend due to the increasing needs of an aging population, particularly driven by post-pandemic effects, namely the neglect of health conditions. Throughout the year, there is also a seasonal phenomenon, especially in market segments related to medications that treat regularly occurring conditions (allergies, colds and flu, dermatological conditions).

Market Products and Product Policy

Zentiva SA's product portfolio includes a variety of human-use products in solid forms (tablets, capsules, pellets) and injectable solutions. The marketed products are OTC (over-the-counter medications) accounting for 4.7% in 2023, about 0.1 basis points lower than the previous year, and Ethical products (Rx) accounting for the largest share of approximately 95.3%, which is 0.1 b.s. higher than the previous year.

The average selling price of Zentiva products (finished products and goods) per pharmaceutical unit sold was 5.99 lei in 2023, which is 20% higher than the previous year. The price increase recorded is attributed to changes in the product mix and price updates in line with rising raw material and manufacturing costs.

Distribution Market

Distribution activity in the local market, until 27.09.2018, was ensured by Sanofi Romania SRL, the sole distributor in Romania within the Sanofi Group. After Zentiva's exit from the Sanofi Group, distribution in the local market has been handled by Romanian pharmaceutical product distributors.

The company is part of the Zentiva group, which has production units in the Czech Republic, Romania, and India. Zentiva SA's sales activity in the European Union market was ensured through a company within the

Sanofi Group (Sanofi Winthrop) until 30.09.2018, and through a company within the Zentiva Group (Zentiva k.s.) after 01.10.2018.

Pricing Policy
Products in Zentiva's portfolio sold in Romania based on medical prescriptions have their prices regulated by the Ministry of Health, representing over 95% of the turnover in the local market. Instead, the price of over-the-counter products is determined by market supply and demand.

Sales Policy
Zentiva's sales policy focuses on ensuring access to high-quality medications at affordable prices across Europe, with a particular emphasis on its role in providing prescription (Rx) medications. Among the essential priorities for the company in 2024, as presented in the 2023 Annual Report, are increasing sales of products in the local market and strengthening the product portfolio through the launch of new items.

Competitors
According to the information found in Zentiva's annual report, the main competitors on the local drug market are: Terapia Cluj, Antibiotice Iași and Biofarm.

The main international pharmaceutical manufacturers are: Novartis, Sanofi, AstraZeneca, Merck Sharp Dohme and Johnson&Johnson.

In terms of market competitiveness, the following competitors were selected and included in the market approach, thus the identified competitors are:

- Recordati Industria Chimica e Farmaceutica S.p.A.Supercom SA;
- Biofarm S.A.;
- GSK plc;
- Bayer Aktiengesellschaft;
- Alliance Pharma plc;
- Krka, d. d.;
- Hikma Pharmaceuticals PLC;
- Richter Gedeon Vegyészeti Gyár Nyilvánosan Muködo Rt.;
- Antibiotice S.A.;
- Lavipharm S.A.;
- Laboratorio Reig Jofre, S.A.;
- Laboratorios Farmaceuticos Rovi, S.A.;
- Sopharma AD;
- AstraZeneca PLC
- Novartis AG

2.16. Human resources

Management

General Shareholders Assembly

Zentiva's General Shareholders Assembly convenes for any important decision regarding the business that requires voting. Since the company is currently publicly traded, a convening notice must be published prior to the actual meeting, according to the provisions of the law. The company is owned by Zentiva Group in a proportion of 95.95%, the rest of the outstanding shares being held by legal entities as well as people. Shareholders may vote at each assembly in person or through proxy votes.

The Board of Directors

Crt. No.	Name	Position	Years in Current Position
1	Simona Cocos	President of the Board	2 years and 10 months
2	Margareta Tanase	Member of the Board	14 years and 2 months
3	Kenneth Lynard	Member of the Board	4 years and 8 months
4	Alin Briciu	Member of the Board	1 year and 4 months
5	Francois Noel Marchand	Independent Member of the Board	7 years and 4 months

Source: Zentiva, Darian DRS

As of the valuation date, the Executive Management is provided by a management team composed of:

Crt. No.	Name	Position	Years of Work	Years in Current Position
1	Simona Cocos	General Manager , Member and President of the Board	-	2 years and 10 months as Chairman of the Board

Source: Zentiva, Darian DRS

Staff

Employee rights and other labor relations are regulated by the Collective Labor Agreement. For 40% of employees, these rights are supported by the Zentiva SA Union.

Zentiva's employee's evolution in time

	2019	2020	2021	2022	2023	H1 2024
Average no employees	620	722	825	884	956	1013
EoY no employees	727	746	830	903	979	1035

Source: Zentiva, Darian DRS

2.17. Financial analysis

The economic and financial analysis of the company is a methodological study of the situation and evolution of the company, in terms of financial structure and profitability, starting from the balance sheet and income statement for the 2018 – June 2024 period.

When performing the analysis, only the accounting records of ZENTIVA S.A. were considered. In this context, this analysis aims to capture the main aspects of the ZENTIVA S.A. business. from an economic-financial point of view, to interpret their evolution and to notice the trends on which the future evolution can fit. The analysis meets some general requirements demanded by the context in which it is developed.

An important tool of financial analysis is the rates or margins, which represent the ratio between two items or groups either in the balance sheet, or in the income statement, or one in the balance sheet and another in the income statement.

Balance sheet analysis

The balance sheet for the 2018 - 31.12.2023 period is presented below:

Balance Sheet	2018	2019	2020	2021	2022	2023	30.06.2024
ASSETS							
FIXED ASSETS							
Intangible Assets	50,031,622	43,862,385	40,067,338	40,125,749	35,137,857	31,522,711	29,723,050
Tangible Assets	144,239,495	166,113,683	198,395,841	203,740,535	218,502,390	229,157,771	232,553,749
Financial Assets	0	0	0	0	0	0	0
Rights of use of leased assets					18,681,888	21,092,139	20,517,825
TOTAL FIXED ASSETS	194,271,117	209,976,068	238,463,179	243,866,284	272,322,135	281,772,620	282,794,624

Balance Sheet	2018	2019	2020	2021	2022	2023	30.06.2024
CURRENT ASSETS							
Inventories	98,982,129	123,824,560	137,798,353	124,563,136	173,060,231	191,883,609	195,926,305
Account receivables - of wich:	199,832,571	309,246,664	250,288,953	616,357,319	747,822,920	995,768,425	1,123,737,245
- Expoatation account receivables	199,832,571	309,246,664	250,288,953	102,653,285	164,311,733	411,947,928	499,898,135
- Non-operating account receivables	0	0	0	513,704,034	583,511,187	583,820,497	623,839,110
Cash	405,115,315	383,269,031	406,713,534	62,597,628	11,190,679	27,302,728	34,884,600
TOTAL CURRENT ASSETS	703,930,015	816,340,255	794,800,840	803,518,083	932,073,830	1,214,954,761	1,354,548,150
ACCRUAL ACCOUNTS	**-15,502**	**1,370,642**	**0**	**1,478,387**	**777,405**	**2,775,805**	**3,878,884**
TOTAL ASSETS	**898,185,630**	**1,027,686,965**	**1,033,264,019**	**1,048,862,754**	**1,205,173,370**	**1,499,503,186**	**1,641,221,658**
DEBT + EQUITY							
EQUITY							
Social Capital	40,944,420	69,570,009	69,569,799	69,488,361	69,462,324	68,754,399	68,313,244
Reserves	177,908,250	181,530,583	201,238,084	204,635,414	238,433,573	247,995,907	247,727,543
Retained Earnings	149,219,019	407,148,446	448,920,749	510,903,264	616,648,818	691,458,662	876,948,084
Current Earnings	262,620,976	43,750,880	65,635,440	105,745,554	99,465,204	192,615,832	143,024,953
Profit Distributed	0	0	0	0	24,655,360	9,562,335	2,167,561
	0	0	0	0	0	0	0
TOTAL EQUITY	630,692,665	701,999,918	785,364,072	890,772,593	999,354,559	1,191,262,465	1,333,846,263
PUBLIC PATRIMONY	**0**	**0**	**0**	**0**	**0**	**0**	**0**
PRIVATE PATRIMONY	**0**	**0**	**0**	**0**	**0**	**0**	**0**
PROVISIONS	**20,083,729**	**17,688,212**	**17,197,603**	**8,384,870**	**11,799,004**	**12,022,943**	**12,914,946**
LIABILITIES							
LONG TERM	5,033,947	0	0	12,459,734	24,420,302	19,450,830	17,469,695
Financial Debt	0	0	0	0	0	0	0
Other Debt	5,033,947	0	0	12,459,734	24,420,302	19,450,830	17,469,695
SHORT TERM	242,375,289	307,998,835	230,702,344	137,245,557	169,599,505	276,766,949	276,990,754
Financial Debt	0	0	0	0	0	0	0
Exploitation Liabilities	242,375,289	307,998,835	230,702,344	137,245,557	169,599,505	276,766,949	276,990,754
Non-operating Liabilities	0	0	0	0	0	0	0
TOTAL DEBT AND EQUITY	**898,185,630**	**1,027,686,965**	**1,033,264,019**	**1,048,862,754**	**1,205,173,370**	**1,499,503,187**	**1,641,221,658**

Source: Darian DRS analysis

Analyzing the balance sheet items for the period 2018 – 2023, a slight decrease in the share of fixed assets in total assets is observed, from 22% in 2018 to 19% in 2023. This downward trend continued, reaching 17% at the valuation date.

- Regarding intangible assets, there has been a gradual decrease from 5.6% to 2.1% of total assets between 2018 and 2023. At the valuation date, intangible assets consisted of client relationships worth 15.2 mil. lei, goodwill at 11.6 mil. lei, and other intangible assets at 2.8 mil. lei.
- Tangible assets represent the largest proportion of total fixed assets, consisting of land, buildings, technical installations, equipment, and fixed assets under construction at the valuation date.
- The company does not have financial assets recorded in its accounting records.
- Current assets are predominantly made up of receivables. Inventory did not record significant variations during the analysis period, with finished products and goods holding the largest share, followed by raw materials and consumables. The average share of receivables in total assets during the analyzed period was approximately 44%, fluctuating between 22% in 2018 and 66% in 2023.

- The company's cash at the end of the first half of 2024 primarily consist of bank cash amounting to 34.9 mil lei.

Regarding the financing structure, the following can be noted:

- The company is primarily financed by its own capital, with a smaller proportion coming from short-term debts. The share of equity in total liabilities at the valuation date was 81%, while short-term debts accounted for 17%.
- The company's equity did not record significant fluctuations during the analyzed period, predominantly consisting of retained earnings, followed by reserves and current results.
  Equity increased by 142.6 mil lei (+12%) compared to the previous year, representing the profit for the first half of 2024.
- Trade liabilities varied in terms of their proportion in total liabilities between 13% and 30%, and at the valuation date, they were closer to the lower limit of the historical range, at 17%. In absolute terms, trade liabilities remained nearly at the same level as in 2023. The category of other current liabilities includes: salaries and salary related liabilities, contributions and salary taxes, social contributions and insurance, and other taxes.
- The company does not have long-term debts incurred from commercial partners or debts to financial institutions. The company's liabilities with a maturity of more than one year are represented by liabilities related to leasing contracts.

Structure ratios

Structure	2018	2019	2020	2021	2022	2023	30.06.2024
Equity / Total Assets	70%	68%	76%	85%	83%	79%	81%
Total debt / Equity	39%	44%	29%	17%	19%	25%	22%
(Equity + LT Debt) / Total Assets	71%	68%	76%	86%	85%	81%	82%

Source: Darian DRS analysis

The previous table presents as a structure the elements of the company's balance sheet. The analysis of the weight and evolution of the two large groups of assets, fixed assets and current assets as well as the financing structure reflects the current situation in the company. We further present the analysis on each indicator:

- ✓ **Equity /Total Assets:** the report valuates the position of a company's equity in relation to its assets. It represents a solvency indicator, as it shows how much of the equity can support the assets. For the company under analysis, this indicator shows increasing values, marking an appreciation from 70% in 2018 to 81% at the valuation date.
- ✓ **Total liabilities/ Equity** is an indicator of financial leverage and indicates the degree of financial autonomy enjoyed by the analyzed company. It can be observed that at the company level, the recorded values have been decreasing, from 39% in 2018 to 22% at the valuation date, having a positive impact on the financial stability of the company.
- ✓ **Financial stability** reflects the proportion of permanent capital in the total liabilities of the enterprise. A low value of this indicator affects the financial stability of the enterprise. Permanent capital is intended to cover fixed assets and working capital, allowing for a correlation with these elements of assets to determine whether the level of this ratio is satisfactory. During the analysis period, the values of this indicator show a slight upward trend from year to year.

Operating ratios

Assets utilization rates	2018	2019	2020	2021	2022	2023	30.06.2024
Quick ratio	250%	225%	285%	495%	448%	370%	418%
Cash ratio	167%	124%	176%	46%	7%	10%	13%
Curent ratio	290%	265%	345%	585%	550%	439%	489%
Days in inventories	77	82	88	66	82	72	64

Assets utilization rates	2018	2019	2020	2021	2022	2023	30.06.2024
Days in acc. receivables	156	206	159	54	78	156	163
Days in acc. payable	189	205	147	72	80	104	90
Net working capital / Sales	12%	23%	28%	13%	22%	34%	76%

Source: Darian DRS analysis

The turnover rate of current assets is an efficiency indicator that reflects changes in the company's activity (especially in the operating activity: changes in the supply and production process, reducing costs, shortening the production cycle and the period of disposal and collection of production, etc. .). The volume of current assets depends on two factors, namely: turnover and turnover of current assets. The faster the current assets will go through each stage of capital rotation, the higher the turnover rate, and the lower the need for working capital for a given volume of activity, respectively of turnover.

The indicators that reflect the company's liquidity provide information about the assets that the company can use to pay short-term debts.

From the analysis of the degree of use of the patrimonial elements the following conclusions can be drawn:

- ✓ **Quick ratio**: this indicator takes into account only those immediately available assets that can be used to meet short-term obligations. Less liquid assets, such as inventory items or prepaid expenses, are eliminated from the calculation, consequently if the indicator has a low value it shows an increased dependence of current assets on stocks. The company's quick ratio has registered high values throughout the analyzed period, and these elevated levels are due to the significant amount of cash and trade receivables.

- ✓ **Cash ratio**: determines the company's ability to meet its immediate obligations. It is considered that the level of this rate is normal between 0.2 and 0.3. In the first four years of the analyzed period, this indicator was above the levels considered optimal in the market. However, in the last three years, it has significantly decreased and is approaching the optimal levels identified in the market. The substantial decrease in the indicator is due to a decrease in cash and cash equivalents.

- ✓ **Curent ratio**: The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average may indicate a higher risk of distress or default. Similarly, if a company has a very high current ratio compared to its peer group, it indicates that management may not be using its assets efficiently. The current ratio is called "current" because, unlike some other liquidity ratios, it incorporates all current assets and current liabilities. The current ratio is sometimes called the working capital ratio. Simultaneously with stock and inventory management improvement ("just in time" supplies, based on CRM organization, etc.), companies tend to develop aggressive financial management policies that lead to a higher level of commercial creditors and less control on commercial debtors. Between 2018 and the valuation date, there has been a significant variation in the Company's ability to cover its short-term obligations from its current assets, and the latest figures are on an upward trend towards consolidation of the Company's financial position.

- ✓ **Days in inventories**: this rate reflects the period of time required for the good product or service provided to move from inventory item to turnover, it therefore assesses the effectiveness of operational management. Inventory management has not experienced significant variations during the analyzed period, only slight fluctuations between 64 to 88 days.

- ✓ **Days in acc. receivables**: reflects the amount of time invoices issued by the company are paid by customers. The faster the bills are paid, the lower the working capital needs. Thus, a decrease in the receivables collection days can be observed, from 206 days in 2019 to 54 days in 2021, while from 2022 onwards, the turnover period significantly increases towards the levels seen during the 2018–2020 period.

- ✓ **Days in acc. payable:** it reflects the average number of days on which payment obligations to suppliers and other commercial creditors are met. The company's interest would be to ensure that suppliers are able to rotate as long as possible, as long as that doesn't generate excessive costs. The extreme values of this indicator express a signal for the non-payment of suppliers, which is a risk of a deterioration in the company relations with them, but also a risk of bankruptcy. An increase in the level of this indicator from period to period is a decrease in working capital and free cash flow available, with the company having less financial resources to cover its current needs. At the company level, the accounts payable period has shown a decreasing trend, from 189 days in 2018 to 72 days in 2021, followed by an increase to 104 days in 2023.

- ✓ **Net working capital / Sales:** this indicator reflects the consumption of working capital used in the operating activity for operations and acquisitions, that helps to form the turnover. This indicator is used to show the relationship between the resources that finance the operational activity and the turnover generated by these operations. The low values of this indicator express the efficiency in using current assets and current liabilities to generate turnover. Conversely, a high value of this indicator expresses the fact that the company has a high level of receivables and invests too much in stocks, leading to an increase in non-performing debts and an aging of stocks. Working capital as a percentage of turnover ranged from 12% to 34% over the analyzed period, and this working capital requirement is in the range determined in the market on the S&P Capital IQ platform, with an average of 20.4%, and in the Damodaran database, with an average of 22.2%.

Financial performance analysis

The following table highlights the evolution of the main categories of income and expenses:

Income and expenses structure	2018	2019	2020	2021	2022	2023	30.06.2024
Income from sale of goods	120,995,336	333,946,862	134,867,902	329,200,195	112,140,202	159,136,369	86,874,995
Sold production	340,409,895	207,493,491	423,093,038	354,665,069	647,490,668	794,496,716	464,383,069
Income from subsidies	0	0	6,962,670	0	0	0	0
Commercial Discount	0	0	0	0	0	0	0
Turnover (net)	**461,405,231**	**541,440,353**	**564,923,610**	**683,865,264**	**759,630,870**	**953,633,084**	**551,258,064**
Income from stored production	22,087,218	10,660,835	0	14,624,923	9,170,800	18,373,825	13,876,802
Income from sale of fixed assets	0	0	0	0	0	0	0
Income from revaluation of fixed assets	0	0	0	0	1,305,483	0	0
Other operating income	275,847,408	19,335,422	13,783,653	35,013,083	14,808,174	417,514	1,031,549
Operating Income - Total	**759,339,857**	**571,436,610**	**578,707,263**	**733,503,270**	**784,915,327**	**972,424,424**	**566,166,415**
Marchendise expenses	28,133,164	80,762,968	82,326,771	77,080,113	78,835,616	114,212,299	59,179,595
Material expenses	190,807,825	193,769,764	191,727,194	242,195,384	267,241,994	315,715,933	165,358,822
Utilities expenses	9,008,388	9,888,204	10,404,755	12,034,010	24,655,006	21,693,081	8,656,706
Third parties expenses	124,403,019	118,512,095	91,974,127	131,965,908	136,409,347	119,040,481	61,155,214
Tax expense	5,583,915	5,967,062	6,169,052	5,465,211	4,836,905	4,160,001	1,929,469
Wage expenses	62,840,943	82,265,589	97,732,814	111,744,541	134,216,100	161,188,996	98,788,818
Other operating expenses	4,341,704	10,044,865	3,768,231	19,199,297	18,243,146	26,194,413	11,792,465
Commercial discounts received	0	0	0	0	0	259,327	17,695
EBITDA	**334,220,899**	**70,226,063**	**94,604,319**	**133,818,806**	**120,477,213**	**210,478,546**	**159,323,021**
Amortization	12,140,958	19,758,433	17,289,894	25,449,842	30,893,504	31,701,874	14,023,862
Adjustment for impairment of current assets	9,269,210	6,792,426	4,459,964	5,502,272	3,258,800	-4,483,619	555,248
Adjustment of provisions for risk and expenses	2,530,960	-3,030,307	-490,817	-13,179,888	-5,435	-1,254,642	174,512
Operating expenses - Total	**449,060,086**	**524,731,099**	**505,361,985**	**617,456,690**	**698,584,983**	**787,909,491**	**421,597,016**
Operating margin	**310,279,771**	**46,705,511**	**73,345,278**	**116,046,580**	**86,330,344**	**184,514,933**	**144,569,399**

Income and expenses structure	2018	2019	2020	2021	2022	2023	30.06.2024
Financial Income - Total	**23,377,817**	**11,658,688**	**11,247,342**	**7,147,694**	**35,258,118**	**41,829,109**	**19,999,909**
Other financial expenses	18,256,427	3,535,913	3,440,531	3,738,169	6,419,023	4,059,632	1,349,079
Interest expenses	0	734,682	603,070	245,739	184,521	459,129	124,449
Financial expenses - Total	**18,256,427**	**4,270,595**	**4,043,601**	**3,983,908**	**6,603,544**	**4,518,761**	**1,473,528**
Financial Profit	**5,121,390**	**7,388,093**	**7,203,741**	**3,163,786**	**28,654,574**	**37,310,348**	**18,526,381**
Gross Profit	**315,401,161**	**54,093,604**	**80,549,019**	**119,210,366**	**114,984,918**	**221,825,281**	**163,095,780**
Income Tax	54,240,644	10,493,826	15,668,045	14,007,295	17,288,731	30,616,907	19,979,978
Deferred income tax (692)	0	0	0	0	-1,769,017	-1,407,458	90,849
Deferred income tax	1,460,459	151,102	754,466	542,483	0	0	0
Net income	**262,620,976**	**43,750,880**	**65,635,440**	**105,745,554**	**99,465,204**	**192,615,832**	**143,024,953**

Source: Darian DRS analysis

Following the analysis of revenue and expense items, particularly for the most recent analyzed period, we have drawn the following conclusions:

- ✓ Net turnover is generated by domestic and international sales of Etice (Rx) medicines, accounting for 95.8% of the total product types, and OTC products, which make up 4.2% of the total product types. International sales represented 40% of total turnover in the first half of 2024 (220.38 mil lei), compared to 51.7% in the first half of 2023 (232.76 mil lei). International sales of medicines were carried out through a company within the Zentiva Group (Zentiva k.s.) and were mainly exported to markets in the European Union. The average growth rate over the historical period captured in the table above is 15.6% YoY.

- ✓ The main operating expenses, listed in descending order of their share of turnover, are: material costs, which had an average share of 39% over the analyzed period, followed by personnel expenses and expenses for works and services performed by third parties, each with an average share of 19%. Commodities expenses had an average share of 13%. The remaining operating expenses, including utility costs, taxes, and other operating expenses, cumulatively account for less than 6% of turnover.

  Among the most significant changes in expenses in the first half of 2024 compared to the first half of 2023 is a 26% increase in employee benefit expenses, mainly due to the increase in the number of employees, which reached 1,035 at the end of the first half of 2024, compared to 952 employees at the end of the first half of 2023, as well as salary CPI indexation. The increase in the number of employees is the result of internalizing staff previously employed under labor contracts concluded with personnel leasing service providers, as well as the addition of new personnel.

Other operating expenses also increased due to higher costs with repairs and support services received from within the group.

Profitability ratios

Profitability rates	2018	2019	2020	2021	2022	2023	30.06.2024
Asset profitability	29%	4%	6%	10%	8%	13%	9%
Equity profitability	42%	6%	8%	12%	10%	16%	11%
Return on capital employed	124%	14%	19%	35%	20%	31%	21%
EBITDA / Turnover	72%	13%	17%	20%	16%	22%	29%
EBIT / Turnover	67%	9%	13%	17%	11%	19%	26%
Net Income / Turnover	57%	8%	12%	15%	13%	20%	26%

Source: Darian DRS analysis

Regarding the company's ability to generate profit, we note the following:

- **Asset profitability**: it reflects the efficiency of using the company's assets and is a relevant indicator of competitiveness. In the case of sectors with a long operating cycle, the return on assets is attributed to higher profit margins. Low values of this indicator generally suggest unproductive or oversized investments, which do not work at full capacity and cannot produce enough profit. The company's return on assets has recorded positive values throughout the entire historical analysis period, indicating that the company's assets generate a high profit.

- **Equity profitability**: shows the net profit generated by each currency unit invested by shareholders in the form of capital. The high values of this indicator show an increased profitability that maximizes the results felt by shareholders as a result of their investment. The increase of this indicator in the conditions of maintaining the same capital represents a positive signal for investors. Companies with a high leverage tend to obtain a higher return on equity, but the disadvantage is the high risk posed by high dependence on creditors. Regarding financial profitability, similar to the return on assets mentioned earlier, positive returns have been recorded throughout the entire analyzed period, following a trend of relative stability in recent years.

✓ The profitability rates reflect the following conclusions:

- **EBITDA Margin:** reflects the profitability of the company's operational activity. It can be observed that the company's average EBITDA margin during the analyzed period is 27%. There is a noticeable trend of improving profitability, from a level of 17% in 2018 to an EBITDA margin of 22% in 2023. In 2019, the company recorded the lowest profitability margin of the entire historical period analyzed, 13%, a decrease attributed to the cessation/limitation of activities imposed by the pandemic COVID-19.

- **EBIT Margin:** represents the share of operating profit in turnover, this rate expresses the company's ability to generate added value for its shareholders. This margin reflects the profitability of the core business itself, without accounting for expenses unrelated to its operations. The EBIT margin at the valuation date is 26%.

- **Net profit margin:** reflects how much profit is generated for every 1 leu of sales, taking into account not only operational activities but also the company's investment, financing, and fiscal policies. At the company level, the net profit margin has recorded values similar to the EBIT margin.

2.18. SWOT ANALYSIS

The purpose of the SWOT analysis is to present the conclusions of the internal environment of the company analysis, which results in strengths (Strengths) and weaknesses (Weaknesses), and the conclusions of the analysis of the external environment materialized in opportunities (Opportunities) and risks (Threats).

The strong points of a company are those advantages it has compared to other companies in the branch or to other companies in the area. The weak points represent those unsatisfactory parts of the company's activity, compared to similar companies in the branch or companies in the region.

The opportunities that the external environment presents for a certain company are those environmental data that can contribute to the development of the company's activity and can have positive influences on it. The risks or dangers of the external environment are those aspects of the environment in which the company operates that can negatively influence its activity.

INTERNAL ENVIRONMENT ANALYSIS

STRENGTHS:

- Age of the company on the specific market.
- Diversified portfolio of products, both OTC and prescription drugs.
- Specialized and qualified personnel.
- High presence of products on the market.
- High production capacity, with Zentiva having modern production units that enable efficiency in manufacturing pharmaceutical products to high standards.

WEAKNESSES*:*

- Increased costs with employees, which generates a decrease in profit margins.
- Lack of innovative products – being focused on the production of generics, it can be considered a weak point compared to direct competitors who invest in original medicines, in the research and development of new products.
- The high share of prescription drugs in total turnover.

INTERNAL ENVIRONMENT ANALYSIS

OPPORTUNITIES

- Expansion to other markets;
- Increase investment in research and innovation that could generate new pharmaceutical products to take advantage of increased sales growth for OTC drugs;
- Creating strategic partnerships, collaborations with other pharmaceutical companies in order to create new opportunities;
- Development of an own internal platform for selling medicines directly to final consumers (B2C).

THREATS*:*

- Strict regulations of pharmaceutical legislation regarding drug prices;
- Pressure on prices from the state in the next period but also from existing competitors;
- Intensification of competition leads to the decrease of profitability margins, which could affect the development potential of the company;
- Unstable political climate that has repercussions on the exchange rate, interest rates and indirectly on the company's performance;
- Unstable geopolitical climate – the war between Russia and Ukraine.

3. BUSINESS VALUATION

The approaches recommended by the Asset Valuation Standards - 2022 edition, which are in accordance with IVS (International Valuation Standards) - 2022 edition, for the valuation of a company are.

- ***Income approach*** – a general way of estimating the value of an enterprise by converting the forecast benefits into the present value of capital.
- **Market approach** – a general way of estimating the value of an enterprise by comparing the subject with similar companies that have been traded.
- **Cost approach** (asset approach) – a general way of estimating the value of an enterprise by subtracting the total value of liabilities from the total value of assets. It is recommended only for investment or start-up companies.

The income approach was used to estimate the equitable value of ZENTIVA SA's shares, being the most appropriate as it captures the contribution of all assets owned, tangible and intangible. In applying this approach, we used the management's forecasts to capture the expected future evolution of the company, but also a series of market data through which we verified their reasonableness. Consequently, we believe that the result of the discounted cash flow method is the most representative for the purpose of this assessment.

The market approach was applied to check the opinion issued based on the income approach. In this case, the degree of accuracy of the market approach is lower compared to that obtained by the income approach, since a limited number of listed companies with a comparable activity object was identified on the capital markets of Europe, including Romania. In the case of the current valuation, the guideline publicly traded comparable method was applied, by adjusting the relevant multiples.

Among the three approaches, we did not apply the cost approach (asset-based approach), since the SEV issued by ANEVAR recommends using this approach only in the case of start-ups or where the principle of business continuity is not respected; in the case of the current valuation process neither of the two conditions is valid, thus the asset-based approach is not used.

3.1. INCOME APPROACH

The income approach provides an indication of value by converting future cash flows into a single current value of capital. The income approach also involves estimating a capitalization rate, when capitalizing income or cash flow, and a discount rate, when discounting cash flow. This approach will recognize both the value of identifiable tangible and intangible assets and goodwill (positive or negative), which cannot be captured in the asset approach.

The methods included in the income approach are:

- discounted cash flow
- capitalization of income.

The discounted cash flow method was applied, in order to capture both the impact of the specific market evolution and the alignment of the company's activity on a trend of stability in terms of turnover. This method is based on the ability of the company to generate positive cash flows that ultimately remain at the disposal of investors.

The main steps of applying the method are the following:

- P&L forecast
- Forecast of changes in net working capital
- Forecast of required investments (capex)
- Forecast of free cash flows during the explicit (1-5 years) and non-explicit (perpetuity) analysis period
- Estimation of the discount rate
- Discounting free cash flows

- Adding the non-operating assets (redundant)
- Deduct the financial debt of the company
- Obtain the equity value of Zentiva.

The company's inputs regarding the estimated budget of revenues and expenses concerned:
- The income and expenditure budget for the period 2024-2028.
- The detailed investment budget for 2024.
- Capex level expected for the period 2025-2028.

The evaluator's inputs concerned:
- Historical analysis of the company's income and expenses.
- Analysis of the market in which the company operates, with an emphasis on determining the average market levels of profit margins, working capital requirements, EBITDA margin, the share of depreciation expenses in total revenues and others.
- Analysis of forecasts received from the client.
- Macroeconomic data analysis and long-term inflation estimation.

The main assumptions for applying the method are:
- The P&L is estimated in current prices and the discount rate is nominal.
- The explicit analysis was performed over a period of 4.5 years, considering that after this period the company will have a stable and quasi-uniform evolution, with a perpetual annual growth of 3% (equivalent to the expected level of inflation in lei in the long term). In addition, we consider that this is the time horizon for which the degree of accuracy of the forecasts can be kept within acceptable limits.
- The results of this approach are valid, subject to the specific reservation of non-fulfillment of some elements taken into account, for reasons impossible to consider at the time of the valuation.

In the following we will present the details of the previously listed steps.

P&L forecast

The profit and loss budget for the period 2024-2028 was estimated based on the expectations of the management regarding the future evolution of the entity's activity. Considering the specifics of the company's activity, an increase in turnover is anticipated, supported by the positive impact of the Covid-19 pandemic on the population's awareness of the importance of health. This context has led to a significant increase in sales of generic drugs. Also, the recent changes in the legislation regarding the granting of prescription drugs based on the strict presentation of one, in conjunction with the arguments presented previously, help to improve the profitability margins of the company, bringing them closer to the market average.

Analyzing the history of the company's net turnover, it was mainly generated by revenues from the production sold followed by those from the sale of goods. An accelerated increase in turnover is observed in the period 2021-2023. The average growth rate over the historical period captured in the table below is 15.6% YoY. In 2023, the highest increase in turnover in the last 6 years was recorded, generated by the increase in production of 5.5 million commercial units compared to the previous year and the sale of goods and services increasing compared to the previous year.

	2018	2019	2020	2021	2022	2023	30.06.2024
Net Turnover (lei)	461,405,231	541,440,353	564,923,610	683,865,264	759,630,870	953,633,084	551,258,064
Annual growth rates (%)	1%	17%	4%	21%	11%	26%	-

Source: Darian DRS analysis

In the medium and long term, a normalized increase in the turnover similar to the growth rate of inflation is predicted for the first years of the client's estimated budget, and in the year 2027 a growth rate of around 6% is expected as a positive response to the profitability of investments significant client budgets.

Revenues forecast

Considering the previously presented aspects, the revenues were estimated taking into account the following:

• The turnover for the explicit forecast period was taken from the income and expenditure budget drawn up by the client. The budget was estimated on the basis of the following assumptions: the increase in demand for pharmaceutical products based on the demographic situation at the national level, the increase in external sales, the capitalization of income from the completion of the transfer of 6 new products for export and the profitability of significant investments in production equipment, laboratories and modernization of already existing ones. The average annual turnover growth rate is 4.5% in the period 2024-2028.

• For the non-explicit forecast period, turnover was indexed to the expected long-term inflation rate of 3%.

The EBITDA margin trend is expected to be one of gradual normalization over the explicit forecast period, mainly due to the reduction of certain types of expenses, such as electricity costs. For the perpetuity period, we considered the alignment of the EBITDA margin with the level observed in the local market. This margin was determined based on a comparative peer group of local companies such as Terapia, Sandoz, Antibiotice, Gedeon Richter Romania and others, and the average EBITDA over the last 5 years is 23.5%.

Based on the forecasts made by the appraiser in conjunction with the data received from the client, below we present the evolution of turnover, EBITDA and EBITDA margin, both in the last two and a half years of the historical period, as well as in the 4.5 years of explicit forecasting.

thousands (lei)	2022	2023	30.06.2024	Jul-Dec 2024	2025	2026	2027	2028	TV
Total revenues	759,631	953,633	551,258	588,226	1,182,078	1,225,300	1,301,905	1,360,214	1,401,021
% nominal growth	11%	26%			4%	4%	6%	4%	3%
Total operating revenues	784,915	972,424	566,166	588,226	1,182,078	1,225,300	1,301,905	1,360,214	1,401,021
EBITDA	**120,477**	**210,479**	**159,323**	**103,029**	**297,099**	**304,324**	**330,713**	**346,633**	**328,741**
% Sales	*15.9%*	*22.1%*	*28.9%*	*17.5%*	*25.1%*	*24.8%*	*25.4%*	*25.5%*	*23.5%*

Source: Darian DRS analysis

Cost forecast

Operating expenses are estimated based on the P&L budget received from the client. For the non-explicit forecast period, the EBITDA margin extracted from the TP Catalyst database was applied using a sample of companies in Romania that carry out the same activity as the analyzed company. The average EBITDA margin for the last 5 years for the companies in the peer group is 23.5%.

In the budget received, the largest share in the total expenses is the production expenses of the pharmaceutical products, followed by the expenses related to the sale of the products, the claw-back tax[4] and other expenses. Expenses with a lower share of turnover include administrative expenses, research and development expenses, expenses between related companies and distribution expenses.

Below are the market indicators and the companies included in the peer group established on the local market in the period (2018-2022):

Nr. Crt	CUI	Registration no.	Company Name	Country	City
1	RO15357398	J12/2038/2004	TERAPIA SA	Romania	CLUJ-NAPOCA
2	RO7608294	J26/376/1995	SANDOZ SRL	Romania	TIRGU MURES
3	RO1973096	J22/285/1991	ANTIBIOTICE SA	Romania	IASI
4	RO341563	J40/199/1991	BIOFARM SA	Romania	BUCURESTI SECTORUL 3
5	RO14399646	J23/1321/2004	ROMPHARM COMPANY SRL	Romania	OTOPENI
6	RO6787981	J22/2863/1994	FITERMAN PHARMA SRL	Romania	IASI

[4] The clawback tax requires drug manufacturers - not distributors and pharmacies - to return to the Romanian state part of the profit made from the sales of compensated drugs that exceed the amount allocated to them from the National Insurance Fund. Starting with the year 2020, following several legislative changes brought by Law 53/2020 for the approval of Ordinance no. 85/2019, the differentiated claw-back contribution was introduced by type of medicine.

Nr. Crt	CUI	Registration no.	Company Name	Country	City
7	RO1200929	J26/15/1991	GEDEON RICHTER ROMANIA SA	Romania	TIRGU MURES
8	RO22718452	J40/21114/2007	LABORMED-PHARMA SA	Romania	BUCURESTI SECTORUL 3
9	RO14099517	J23/566/2001	LAROPHARM SRL	Romania	BRAGADIRU

Source: Darian DRS analysis

	Employee expenses/Turnover (%)					Raw material expenses/Turnover (%)				
	2022	2021	2020	2019	2018	2022	2021	2020	2019	2018
TERAPIA SA	11.0	11.5	12.2	12.2	11.4	35.6	37.7	33.9	34.8	35.8
SANDOZ SRL	13.4	14.7	9.3	8.2	9.0	67.7	76.8	64.7	71.0	73.6
ANTIBIOTICE SA	25.4	30.1	30.5	24.5	23.5	36.6	40.1	38.7	37.4	38.0
BIOFARM SA	16.7	17.1	18.0	16.2	15.8	18.5	16.5	18.4	19.5	22.0
ROMPHARM COMPANY SRL	17.6	20.1	20.5	14.0	13.2	47.7	44.6	47.7	45.8	50.7
FITERMAN PHARMA SRL	7.1	5.7	5.6	7.2	8.2	29.7	22.7	25.9	24.9	17.4
GEDEON RICHTER ROMANIA SA	26.4	29.0	25.8	24.7	25.7	40.9	34.2	38.5	37.0	35.9
LABORMED-PHARMA SA	11.9	16.4	20.1	18.3	19.6	38.6	35.6	34.7	32.5	29.1
LAROPHARM SRL	24.7	26.1	23.9	23.9	23.1	28.6	25.5	27.3	25.9	26.5
Q1	11.5	13.1	10.8	10.2	10.2	29.2	24.1	26.6	25.4	24.3
Average	17.1	19.0	18.5	16.6	16.6	38.2	37.1	36.6	36.5	36.6
Median	16.7	17.1	20.1	16.2	15.8	36.6	35.6	34.7	34.8	35.8
Q3	25.0	27.5	24.9	24.2	23.3	44.3	42.3	43.2	41.6	44.3

Source: Darian DRS analysis, TP Catalyst

	EBITDA Margin (%)				
	2022	2021	2020	2019	2018
TERAPIA SA	30.34	25.37	32.81	26.20	27.45
SANDOZ SRL	8.61	5.76	18.37	10.70	14.22
ANTIBIOTICE SA	18.28	12.72	15.41	16.67	16.71
BIOFARM SA	32.78	34.42	33.91	32.18	33.42
ROMPHARM COMPANY SRL	25.57	15.14	23.32	33.36	29.85
FITERMAN PHARMA SRL	23.51	6.75	14.88	11.50	7.63
GEDEON RICHTER ROMANIA SA	17.33	16.44	20.33	19.57	15.74
LABORMED-PHARMA SA	27.82	24.78	23.18	24.68	36.59
LAROPHARM SRL	33.33	32.69	38.75	39.17	39.17
Q1	17.80	9.74	16.89	14.08	14.98
Average	24.17	19.34	24.55	23.78	24.53
Median	25.57	16.44	23.18	24.68	27.45
Q3	31.56	29.03	33.36	32.77	35.00

Sursa: Analiza Darian DRS, Tp Catalyst

Through the estimates made, we tracked the company's performance within the quartile ranges found in the market for similar companies and activity. Thus, from the analysis carried out in the period 2018-2022 with the help of the TP Catalyst database, we obtained the following relevant information:

• During the period analyzed, the EBITDA operating margin varied between 14.7% - 32.3%, an interval marked by the first and the third quartile, with an average level of 23.5%.

• Employee expenses are on average 17.2% of total turnover.

• The average share of raw material expenses in turnover was 35.5%.

Next, we present the forecasted income and expenditure budget:

Profit and loss Budget (lei)	Jul-Dec 2024	2025	2026	2027	2028	TV
Net sales	**588,226,065**	**1,182,078,190**	**1,225,299,974**	**1,301,905,344**	**1,360,214,423**	**1,401,020,856**
Merchandise expenses	74,252,170	145,590,884	147,158,169	152,367,486	155,021,933	155,377,789
% sales	*12.6%*	*12.3%*	*12.0%*	*11.7%*	*11.4%*	*11.1%*
Raw material expenses	194,741,924	397,007,069	417,390,926	449,720,514	476,376,033	497,376,387
% sales	*33.1%*	*33.6%*	*34.1%*	*34.5%*	*35.0%*	*35.5%*
Utilities	13,380,865	25,866,069	25,750,771	26,233,292	26,230,313	25,803,982
% sales	*2.3%*	*2.2%*	*2.1%*	*2.0%*	*1.9%*	*1.8%*
Employee expenses	117,178,231	210,098,499	215,979,927	227,569,684	235,763,031	240,777,026
% sales	*19.9%*	*17.8%*	*17.6%*	*17.5%*	*17.3%*	*17.2%*
Third party expenses	70,160,857	75,303,107	82,676,600	81,676,630	85,343,047	117,242,797
% sales	*11.9%*	*6.4%*	*6.7%*	*6.3%*	*6.3%*	*8.4%*
Taxes, fees	3,155,747	6,341,676	6,341,676	6,341,676	6,341,676	6,341,676
% sales	*0.5%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*
Other expenses	12,326,978	24,771,857	25,677,621	27,282,978	28,504,914	29,360,061
% sales	*2.1%*	*2.1%*	*2.1%*	*2.1%*	*2.1%*	*2.1%*
Total operating expenses	**485,196,771**	**884,979,160**	**920,975,690**	**971,192,260**	**1,013,580,947**	**1,072,279,718**
EBITDA	**103,029,294**	**297,099,030**	**304,324,284**	**330,713,083**	**346,633,476**	**328,741,138**
EBITDA margin (%)	**17.5%**	**25.1%**	**24.8%**	**25.4%**	**25.5%**	**23.5%**
Depreciation&Amortization	19,085,522	35,240,426	35,662,094	35,821,829	36,714,066	37,815,488
EBIT	**83,943,772**	**261,858,604**	**268,662,190**	**294,891,254**	**309,919,409**	**290,925,649**
EBIT margin (%)	**14.3%**	**22.2%**	**21.9%**	**22.7%**	**22.8%**	**20.8%**

Source: Darian DRS analysis

The assumptions on which the revenue and expenditure budget is based are detailed below, starting from the data received for the period 2024-2028:

- Raw materials expenses, which represent the largest share in the turnover, were estimated based on the shares observed in the market, more precisely within the previously presented peer group. The average share of material expenses among these companies in the last 5 years was 35.5%. Consequently, a gradual increase in the share of these expenses was pursued up to the average level observed on the market, starting from the share registered by the company in 2023, respectively 33.1%. Weights appropriate to those observed in the market were also recorded by the company in the years 2019, 2021 and 2022.
- As regards employee expenses, they are expected to have a weight of 19.9% in the second semester of 2024, increasing from 17.9% in the first half of the year, reflecting the hiring of new personnel and the internalization of subcontracted personnel through service providers of hiring staff, process started during the first semester. It is important to state that in the first semester there was also an indexation of salaries with inflation rate. During the 2025-2028 period, we expect the share of this expenditure to tend towards the average level observed in the market, of 17.2%, a level that we consider sustainable in the long term.
- The share of expenditure on merchandise is expected to decrease from a level close to the average for the period 2019-2023, of 12.6%, to the average for the period January 2021 - June 2024, of 11.1%.
- The share of spending on services performed by third parties varied significantly between 2019 and 2023, but the trend was one of decrease, which continued in the first part of 2024. We expect the share to be 11.5% in 2024, after which it will decrease and remain in the range of 6.3% - 6.7% in 2025-2028, the decrease reflecting the employment during 2024 of several employees previously subcontracted through personnel rental providers. In perpetuity, we estimate that this share will increase and stabilize at 8.4%.
- For the other types of expenses, which have a small weight in the turnover, it was decided to estimate them at constant levels throughout the forecast period: the average level of the recent historical period. For fees and taxes, the weight given by quartile 1 of the 2019 - 2023 period (0.5%) was used, and for other operating expenses, the average of the same period, 2.10%, was used.

- Regarding utility expenses, the decrease from a share of 2.3% (equal to that recorded in 2023) in the second half of 2024, towards the median level recorded by the company in the period 2019-2023, of 1.8%.
- The depreciation expense estimate was based on the data from the received income and expenditure budget, taking into account both the depreciation of the new equipment purchased and the amortization of the forecasted Capex. The average amortization period of the investments of 4 million euros/year for the period 2025 – 2028 is 10 years.

Other specific premises:

- The explicit forecast period is 4.5 years. It was assumed that after this period the business would follow a stabilizing trend with a perpetual annual growth of 3%. We also believe that this time frame is the one in which the accuracy of the forecasts remains within acceptable limits regarding the future evolution of the enterprise.

Investment activity

For the CAPEX expenses, we used the data received from the client, namely an investment budget of 7.15 million euros for the year 2024. For the entire explicit and non-explicit forecast period, the necessary investments were estimated at the level of depreciation expenses, which ensures the maintenance of existing assets at an optimal level to achieve the estimated financial indicators (turnover, operational profitability margin).

Change in net working capital

The share of working capital in turnover for the period 2019-2023 was 24.3%. For the forecast period, the gradual adjustment of this indicator was aimed at, starting from the level of 2023 and gradually tending towards the average recorded by the company in the last 5 years.

The level recorded by the company was verified and confirmed by the market, with the data available on the S&P Capital IQ platform. Based on the peer group, this share amounts to 20.2% and in the Damodaran database the share is 22.2%.

In the following we briefly present the estimated working capital for each forecast year:

Working capital (lei)	July-Dec 2024	2025	2026	2027	2028	Perpetuity
Net working capital	191,318,530	360,079,380	347,966,158	342,861,194	330,154,410	340,059,043
% Turnover	32.5%	30.5%	28.4%	26.3%	24.3%	24.3%

Source: Darian DRS analysis

Discount rate estimation

The estimation of the discount rate (WACC - Weighted Average Cost of Capital) is computed from the cost of equity and cost of debt as a weighted average. The weights are represented by each source of financing in total invested capital.

$$WACC = Ke * E/(D+E) + Kd * D/(D+E) * (1-\tau)$$

Ke – cost of equity
Kd – cost of debt
E – market value of equity
D – market value of debt
τ – nominal income tax rate

Estimation of cost of equity (Ke)

The cost of equity is estimated using the CAPM model (Capital Assets Pricing Model), which correlates the risk of the valued asset and the risk of the capital market.

The calculation formula for estimating the cost of equity through the CAPM model is:

$$Ke = Rf + ERP \times Beta + CRP + SP + \alpha$$

Ke – cost of equity
R_{fr} – risk free rate
ERP – equity risk premium
β – systematic risk of the enterprise or comparable companies
CRP – country risk premium
SP – size premium
α – unsystematic (specific) risk

Free cash flows are considered in current prices, so the estimated discount rate is nominal (including expected inflation).

Input	Definition		Currency	Source
Rfr+CRP	Risk free rate + country risk premium	6.8%	**RON**	Trading Economics, Romanian 10y bonds average YTM, closing price at 28 june 2024
ERP	Equity risk premium	6.0%		Kroll Cost of Capital, 30.06.2024
βu	Unlevered beta	0.82		Kroll, European Union, Pharmaceuticals
βl	Levered beta	0.85		
SP	Size premium	0.0%		Valuer's estimation
α	Unsystematic (specific) risk	0.0%		Valuer's estimation
Ke	**Cost of equity**	**11.9%**	**RON**	
D/E	Debt/Equity	4.7%		Kroll, European Union, Pharmaceuticals
E/(D+E)		95.5%		
D/(D+E)		4.5%		
Kd	Gross cost of debt	7.7%	RON	National Bank of Romania, estimare evaluator
t	Tax rate	16.0%		Romanian government
Kd*(1-t)	Net cost of debt	6.5%	RON	
WACC	**Cost of capital**	**11.6%**	**RON**	

Estimating free cash flows

Free cash flows to firm (FCFF) consist of operating and investing cash-flows. Financing cash flows are not considered.

The operating cash flows have as input the gross profit of the current activity and as output, the profit tax and the changes in the working capital structure (change in working capital requirement). The gross profit and the profit tax were taken from the forecasted budget. The changes in the working capital structure were estimated according to the provisions of the previous sub-chapters.

Investment cash flows - These were explained in "3.1.1 – P&L forecast", respectively in the Investment Activity sub-chapter.

The CAPEX for each forecast year is captured in the table below:

CAPEX	July-Dec 2024	2025	2026	2027	2028	Perpetuity
Lei	19,085,522	35,240,426	35,662,094	35,821,829	36,714,066	37,815,488

Source: Darian DRS analysis

Depreciation&amortization: Also explained in sub-chapter 3.1.1 – P&L forecast". Its value is summarized in the following table:

D&A	July-Dec 2024	2025	2026	2027	2028	Perpetuity
Lei	19,085,522	35,240,426	35,662,094	35,821,829	36,714,066	37,815,488

Source: Darian DRS analysis

Change in net working capital: Net working capital was estimated starting from the one recorded by the company in 2023 to the average of the last 5 years recorded by it.

Change in net working capital	July-Dec 2024	2025	2026	2027	2028	Perpetuity
Lei	-213,924,345	168,760,850	-12,113,222	-5,104,964	-12,706,784	9,904,632

Source: Darian DRS analysis

The discounted cash flows are:

DCF											
(lei)	Historical values					Forecasted values					
	2020	2021	2022	2023	30.06.2024	Jul-Dec 2024	2025	2026	2027	2028	TV
Total revenues	564,923,610	683,865,264	759,630,870	953,633,084	551,258,064	588,226,065	1,182,078,190	1,225,299,974	1,301,905,344	1,360,214,423	1,401,020,856
% nominal growth	4%	21%	11%	26%			4%	4%	6%	4%	3%
Total operating revenues	578,707,263	733,503,270	784,915,327	972,424,424	566,166,415	588,226,065	1,182,078,190	1,225,299,974	1,301,905,344	1,360,214,423	1,401,020,856
Operatonal costs	484,102,944	599,684,464	664,438,114	761,945,878	406,843,394	485,196,771	884,979,160	920,975,690	971,192,260	1,013,580,947	1,072,279,718
% Sales	**83.7%**	**81.8%**	**84.7%**	**78.4%**	**71.9%**	**82.5%**	**74.9%**	**75.2%**	**74.6%**	**74.5%**	**76.5%**
EBITDA	**94,604,319**	**133,818,806**	**120,477,213**	**210,478,546**	**159,323,021**	**103,029,294**	**297,099,030**	**304,324,284**	**330,713,083**	**346,633,476**	**328,741,138**
% Sales	***16.7%***	***19.6%***	***15.9%***	***22.1%***	***28.9%***	***17.5%***	***25.1%***	***24.8%***	***25.4%***	***25.5%***	***23.5%***
Minus : Depreciation and amortization (tangibles and non-tangibles asse	17,289,894	25,449,842	30,893,504	31,701,874	14,023,862	19,085,522	35,240,426	35,662,094	35,821,829	36,714,066	37,815,488
Minus : Depreciation of current assets	4,459,964	5,502,272	3,258,800	-4,483,619	555,248	0	0	0	0	0	0
Minus : Ajustări privind proviz. pentru riscuri si cheltuieli	-490,817	-13,179,888	-5,435	-1,254,642	174,512	0	0	0	0	0	0
% Total revenues	**4%**	**3%**	**4%**	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**
EBIT	**73,345,278**	**116,046,580**	**86,330,344**	**184,514,933**	**144,569,399**	**83,943,772**	**261,858,604**	**268,662,190**	**294,891,254**	**309,919,409**	**290,925,649**
Minus : Income tax	15,668,045	14,007,295	17,288,731	30,616,907	19,979,978	13,431,003	41,897,377	42,985,950	47,182,601	49,587,106	46,548,104
Net operational profit (EBIT - Income tax)	57,677,233	102,039,285	69,041,613	153,898,026	124,589,421	70,512,768	219,961,227	225,676,239	247,708,654	260,332,304	244,377,545
Plus : Depreciation and amortization						19,085,522	35,240,426	35,662,094	35,821,829	36,714,066	37,815,488
Minus : CAPEX						19,085,522	35,240,426	35,662,094	35,821,829	36,714,066	37,815,488
Minus : Working capital variation						**-213,924,345**	**168,760,850**	**-12,113,222**	**-5,104,964**	**-12,706,784**	**9,904,632**
Free cash flow to firm						**284,437,113**	**51,200,377**	**237,789,461**	**252,813,618**	**273,039,088**	**234,472,913**
WACC **11.6%**											
Discount period						0.50	1.50	2.50	3.50	4.50	
Discount factor						0.95	0.85	0.76	0.68	0.61	
Discounted Free cash flow to firm						**269,210,540**	**43,410,076**	**180,601,598**	**172,004,988**	**166,409,071**	

Source: Darian DRS analysis

Estimating terminal value

The terminal value (residual value) is an important component of the DCF method. It represents the enterprise value in the non-explicit forecast period. Given the continuity of activity, we estimated the terminal value by capitalizing the free cash flow to firm of the first year of the non-explicit forecast period, considering a level of annual growth for this period of 3% (assimilated to long-term inflation for the national currency).

The terminal value was estimated based on the Gordon-Shapiro model:

$$TV = \frac{FCFF\ t+1}{k-g}$$

where:

$FCFF_{t+1}$ = free cash flow of the first year of non-explicit analysis period

k = discount rate

g = perpetual growth rate of FCFF

Estimation of perpetual growth rate (g)

The perpetual growth rate of 3% was estimated based on Romania's long-term lei inflation target (source: National Bank of Romania).

Considering the discount rate estimated at 11.6%, respectively the expected growth in perpetuity of 3%, the capitalization rate used to estimate the terminal value is 8.6%.

The discounted terminal value is:

Terminal value (lei)	
Cash flows – terminal year	234,472,913
Discount rate - perpetuity	11.6%
Perpetual growth rate - g	3.0%
EBITDA - perpetuity	328,741,138
Terminal value	2,716,346,209
Discount period	4.5
Discount factor	0.61
Discounted terminal value	**1,655,530,912**

Source: Darian DRS analysis

Estimating the value of shareholders' equity

The enterprise value (EV) is the sum of the discounted cash flows and discounted terminal value.

The enterprise value is the value of operating assets.

In order to reach the shareholders' equity value, we must subtract the net debt and add the redundant assets to EV.

The value of shareholders' equity is:

Output		U.M.
Enterprise value		
Discounted cash flows	831,636,274	lei
Terminal value	2,716,346,209	lei
Discount factor	0.60	
Discounted terminal value	**1,655,530,912**	lei
% enterprise value	*67%*	
Enterprise value	**2,487,167,186**	**lei**
Plus: Receivables from related entities	623,839,110	lei
Minus: Total Financial Debt	0	lei
Plus: Cash and equivalents	34,884,600	lei
Equity value	**3,145,890,900**	**lei**
	632,073,075	**euro**
Equity share	**100%**	
No. of shares	**697,017,040**	**acțiuni**
Market value/share for ZENTIVA S.A.	**4.5134**	**lei**

In accordance with the estimated value (equitable value), according to SEV - Valuation Standards, respectively GEV 600 - Enterprise valuation in paragraph 59 a particularity is stipulated which restricts the application of discounts for lack of control or marketability in the situation of a squeeze out.

Thus, the equitable value of the entire equity of ZENTIVA SA on 30.06.2024 through this approach is:

V = 3,145,890,900 lei equivalent of 4.5134 lei/share

3.2. MARKET APPROACH

The market approach compares the subject company with similar companies that have been traded on the market, as well as with any relevant transactions with shares of the same enterprise. An indication of value may also come from previous transactions or offers related to the company.

The three methods included in this approach are:

- The method of comparison with transactions of public companies - the source of information is the capital market on which the securities of comparable companies are traded.

- The method of comparison with transactions of private companies - the source of information is mergers and acquisitions market.

- Method of comparison with previous equity transactions - the source of information is the history of equity transactions (volume, closing price, etc.), if the company is listed, and the sale price of a merger or takeover of the subject company, if it is case.

According to SEV 200 - Business and business interest (IVS 200), ”The market prices of publicly traded stocks or partnership interests, acquisition prices for business interests or businesses engaged in the same or similar lines of business are also used as a reasonableness check on the business valuation conclusion derived under another approach”.

The method of comparison with share transactions of listed companies was applied, since the information on comparable public companies is more transparent than in the case of mergers and acquisitions and leads to more relevant results of the market comparison approach. Also, the quoted prices of public companies are recent, while the possible comparable M&A transactions available could have been carried out in different economic conditions.

The application steps of the method are:

- Selection of companies based on similarity: the same object of activity and similar financial indicators.

- Adjustment of balance sheet and profit and loss account items for differences in accounting regulations or exceptional items (normalization).

- Extracting or calculating valuation rates (multiples).

- Selecting the relevant multiple (EV / EBITDA, EV / EBIT, PER, etc.).

- Adjust the relevant multiple, for each company, to reflect the differences between it and the subject company.

- Calculation of the synthetic multiple, which will be applied to the subject company.

- Establishing the value of the invested capital or the shareholders’ equity capital.

- Application of control premiums or discounts to the value obtained.

There have been identified 15 comparable companies in the **Capital IQ** financial database. These are:

Nr.	Company name	Stock exchange symbol	Country	Market capitalization ($M)	Enterprise value ($M)	Total revenues LTM ($M)
1	Recordati Industria Chimica e Farmaceutica S.p.A.	BIT:REC	Italy	10,719	12,272	2,405
2	Biofarm S.A.	BVB:BIO	Romania	169	146	56
3	GSK plc	LSE:GSK	United Kingdom	78,828	95,340	39,602
4	Bayer Aktiengesellschaft	DB:BAYN	Germany	27,769	67,952	50,961
5	Alliance Pharma plc	AIM:APH	United Kingdom	266	386	225
6	Krka, d. d.	LJSE:KRKG	Slovenia	4,558	3,988	2,024
7	Hikma Pharmaceuticals PLC	LSE:HIK	United Kingdom	5,303	6,268	3,017
8	Richter Gedeon Vegyészeti Gyár Nyilvánosan Muködo Rt.	BUSE:RICHTER	Hungary	4,751	4,705	2,272
9	Antibiotice S.A.	BVB:ATB	Romania	426	443	135
10	Lavipharm S.A.	ATSE:LAVI	Greece	152	178	57
11	Laboratorio Reig Jofre, S.A.	BME:RJF	Spain	230	285	361

Nr.	Company name	Stock exchange symbol	Country	Market capitalization ($M)	Enterprise value ($M)	Total revenues LTM ($M)
12	Laboratorios Farmaceuticos Rovi, S.A.	BME:ROVI	Spain	4,861	4,939	842
13	Sopharma AD	BUL:SFA	Bulgaria	583	786	1,071
14	AstraZeneca PLC	LSE:AZN	United Kingdom	242,079	268,825	49,133
15	Novartis AG	SWX:NOVN	Switzerland	218,368	236,098	48,860

Source: Data processed from the S&P Capital IQ database

Adjustment of balance sheet and profit and loss account elements

It was not necessary to adjust the items in the balance sheet or profit and loss account, as the financial information is taken from the Capital IQ database and is related to companies that apply IFRS financial reporting, so there is a common basis for comparison.

Identifying market multiples

Market multiples represent the ratio between the current market price of the share and various financial variables. The multiples are calculated based on the transactions performed on the market and are applied on the same financial variables that were the basis for their determination to perform the valuation of the company.

The most used multiples of enterprise value (EV), built based on financial variables are:

- EV / Sales
- EV / EBITDA
- EV / EBIT

The financial variables are valid for the last 12 months.

The value obtained by using this method does not include redundant assets.

From these multiples, the EV / EBITDA and EV/Sales multiple were chosen, having the lowest dispersion (coefficient of variation). The other multiples were not considered relevant as they do not adequately capture unique elements such as operational activity, depreciation policy, revaluation, etc.

We present the identified market multiples below:

Nr.	Company name	TEV/Total Revenue LTM	TEV/EBITDA LTM	TEV/EBITDA 2024	TEV/EBIT LTM
1	Recordati Industria Chimica e Farmaceutica S.p.A.	5.35	14.56	13.56	17.87
2	Biofarm S.A.	2.65	8.97	0.00	11.55
3	GSK plc	2.45	7.04	7.10	8.65
4	Bayer Aktiengesellschaft	1.35	5.41	6.16	8.15
5	Alliance Pharma plc	1.69	5.99	7.07	7.17
6	Krka, d. d.	2.03	7.53	7.28	9.50
7	Hikma Pharmaceuticals PLC	2.20	7.81	7.86	10.21
8	Richter Gedeon Vegyészeti Gyár Nyilvánosan Muködo Rt.	2.17	6.09	5.20	7.39
9	Antibiotice S.A.	3.32	14.51	0.00	18.63
10	Lavipharm S.A.	3.19	17.61	0.00	37.26
11	Laboratorio Reig Jofre, S.A.	0.82	8.03	7.26	21.28
12	Laboratorios Farmaceuticos Rovi, S.A.	5.92	22.69	18.69	25.90
13	Sopharma AD	0.74	8.57	10.06	12.50
14	AstraZeneca PLC	5.64	16.74	15.11	24.03
15	Novartis AG	4.93	12.27	12.27	16.51
	Minim	0.7	5.4	0.0	7.2
	Quartille 1	1.9	7.3	5.7	9.1
	Average	**3.0**	**10.9**	**7.8**	**15.8**
	Median	**2.5**	**8.6**	**7.3**	**12.5**
	Quartille 3	4.1	14.5	11.2	20.0
	Maxim	5.9	22.7	18.7	37.3
	Standard deviation	1.7	5.2	5.5	8.6
	Coefficient of variation	0.6	0.5	0.7	0.5

Source: Data processed from the S&P Capital IQ database

Adjusting multiples

When market multiple values calculated for firms operating in the same industry are very close, it indicates that those multiples are most frequently used and highly regarded in the valuation of companies in that sector. In other words, the denominator of the multiple consists of a financial variable that plays an essential role or is a determinant in shaping the market value.

Sorin Stan and Anghel Ion[5] argue that the lack of information and market transactions leads to the use of reference variables (in this case, multiples and comparable companies) from developed countries. In this situation, these variables should be adjusted at least for country risk; otherwise, their use would be irrelevant. Luis Pereiro shares the same opinion, stating that adjustments to multiples are mandatory because similar companies can be valued differently based on the geographic area in which they operate. Differences arise between financial reporting policies in different countries and also between their capital markets, economic and political environments, etc. These capital markets differ due to the perceived country risk differential across different economic markets or because markets may value the same characteristics of a company differently.

The adjustment of the multiples was made by converting them into capitalization rates and adding risk premiums. This process involved several steps such as:

Country Risk Multiple Adjustment (CRP)

At the level of national capital markets, a difference can be noticed between the average values of multiples for different industries. These differences are caused by the general economic environment in that country and by investors' perception of the risk associated with investing in those countries.

The country risk was determined based on data provided by Damodaran. The country risk premium (CRP) was determined as the difference between Romania's CRP and the CRP of the comparable company's country of headquarters.

Adjusting the multiples for size (size premium)

It was found that the CAPM (Capital Assets Pricing Model) does not accurately estimate the profitability of smaller companies, and they often have higher effective returns. Thus, small companies often have smaller multiples because the expected return from them is higher (and the associated risk).

The size premiums were obtained from the Kroll study:

CRSP Deciles Size Premium		Market Capitalization of Smallest Company (in USD millions)	Market Capitalization of Largest Company (in USD millions)	Size Premium (Return in Excess of CAPM)
Decile				
Mid Cap (3–5)		3,011.224	14,820.048	0.66%
Low Cap (6–8)		555.880	3,010.806	1.24%
Micro Cap (9–10)		1.576	554.523	2.91%
Breakdown of CRSP Deciles 1 - 10				
	1	36,942.976	2,662,326.048	-0.06%
	2	14,910.719	36,391.113	0.46%
	3	7,493.607	14,820.048	0.61%
	4	4,622.261	7,461.284	0.64%
	5	3,011.224	4,621.785	0.95%
	6	1,864.293	3,010.806	1.21%
	7	1,050.083	1,862.491	1.39%
	8	555.880	1,046.037	1.14%
	9	213.039	554.523	1.99%
	10	1.576	212.644	4.70%
Breakdown of CRSP 10th Decile				
10A		**97.464**	**212.644**	**3.29%**
10W		153.796	212.644	2.38%
10X		97.464	153.670	4.43%
10B		**1.576**	**97.398**	**7.64%**
10Y		57.815	97.398	6.22%
10Z		1.576	57.448	10.73%

Source: Kroll Cost of Capital Navigator, CRSP Deciles Size Premium, 31 December 2023

[5] *Source: Stan, S. A. (2013). Evaluarea întreprinderii - Ediția a cincea revizuită. București: Iroval;* https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html.

Below we summaries the estimated risk premiums for each of the companies in the sample.

As these cumulative risk premiums are applied to the cost of equity and affect the cost of invested capital depending on the funding structure, the adjustment of the multiples was done by converting them to the capitalization rate, adding the risk premiums and performing the reverse process shown on the right:

Nr.	Company name	Country	Market capitalization ($M)	CRP from USA perspective	CRP Romania - CRP for peer group company	Size premium (SP)	SP Zentiva - SP peer group company	Cumulative risk premiums
1	Recordati Industria Chimica e Farmaceutica S.p.A.	Italy	10,719	2.7%	0.0%	0.66%	2.25%	2.25%
2	Biofarm S.A.	Romania	169	2.7%	0.0%	2.91%	0.00%	0.00%
3	GSK plc	United Kingdom	78,828	0.7%	2.0%	0.00%	2.91%	4.86%
4	Bayer Aktiengesellschaft	Germany	27,769	0.0%	2.7%	0.00%	2.91%	5.59%
5	Alliance Pharma plc	United Kingdom	266	0.7%	2.0%	2.91%	0.00%	1.95%
6	Krka, d. d.	Slovenia	4,558	1.5%	1.2%	0.66%	2.25%	3.47%
7	Hikma Pharmaceuticals PLC	United Kingdom	5,303	0.7%	2.0%	0.66%	2.25%	4.20%
8	Richter Gedeon Vegyészeti Gyár Nyilvánosan Muködo Rt.	Hungary	4,751	2.3%	0.4%	0.66%	2.25%	2.61%
9	Antibiotice S.A.	Romania	426	2.7%	0.0%	2.91%	0.00%	0.00%
10	Lavipharm S.A.	Greece	152	3.1%	-0.4%	2.91%	0.00%	-0.37%
11	Laboratorio Reig Jofre, S.A.	Spain	230	2.0%	0.7%	2.91%	0.00%	0.73%
12	Laboratorios Farmaceuticos Rovi, S.A.	Spain	4,861	2.0%	0.7%	0.66%	2.25%	2.98%
13	Sopharma AD	Bulgaria	583	2.0%	0.7%	1.24%	1.67%	2.40%
14	AstraZeneca PLC	United Kingdom	242,079	0.7%	2.0%	0.00%	2.91%	4.86%
15	Novartis AG	Switzerland	218,368	0.0%	2.7%	0.00%	2.91%	5.59%

Source: Data processed by Darian DRS starting from S&P Capital IQ data base

The combined growth difference considers the following elements presented alongside:

Nr.	Company name	Country	LFY Debt/Equity %	Equity/capital	Risks premium for invested capital	TEV/ EBITDA LTM	Capitalization rate EBITDA unadjusted	Capitalization rate EBITDA adjusted	TEV/ EBITDA LTM adjusted
1	Recordati Industria Chimica e Farmaceutica S.p.A.	Italy	93.2%	51.8%	1.2%	14.56	6.9%	8.0%	12.5
2	Biofarm S.A.	Romania	0.2%	99.8%	0.0%	8.97	11.2%	11.2%	9.0
3	GSK plc	UK	123.0%	44.8%	2.2%	7.04	14.2%	16.4%	6.1
4	Bayer Aktiengesellschaft	Germany	129.9%	43.5%	2.4%	5.41	18.5%	20.9%	4.8
5	Alliance Pharma plc	UK	53.9%	65.0%	1.3%	5.99	16.7%	18.0%	5.6
6	Krka, d. d.	Slovenia	0.5%	99.5%	3.5%	7.53	13.3%	16.7%	6.0
7	Hikma Pharmaceuticals PLC	UK	55.5%	64.3%	2.7%	7.81	12.8%	15.5%	6.4
8	Richter Gedeon Vegyészeti Gyár Nyilvánosan Muködo Rt.	Hungary	11.1%	90.0%	2.3%	6.09	16.4%	18.8%	5.3
9	Antibiotice S.A.	Romania	8.7%	92.0%	0.0%	14.51	6.9%	6.9%	14.5
10	Lavipharm S.A.	Greece	75.9%	56.8%	-0.2%	17.61	5.7%	5.5%	18.3
11	Laboratorio Reig Jofre, S.A.	Spain	32.1%	75.7%	0.6%	8.03	12.5%	13.0%	7.7
12	Laboratorios Farmaceuticos Rovi, S.A.	Spain	25.1%	79.9%	2.4%	22.69	4.4%	6.8%	14.7
13	Sopharma AD	Bulgaria	47.1%	68.0%	1.6%	8.57	11.7%	13.3%	7.5
14	AstraZeneca PLC	UK	85.0%	54.1%	2.6%	16.74	6.0%	8.6%	11.6
15	Novartis AG	Switzerland	69.2%	59.1%	3.3%	12.27	8.1%	11.5%	8.7
Subject company – Zentiva S.A.		**România**							
					Minim	5.4			4.8
					Quartille 1	7.3			6.0
					Average	**10.9**			**9.2**
					Median	8.6			7.7
					Quartille 3	14.5			12.0
					Maxim	22.7			18.3

Source: Data processed by Darian DRS starting from S&P Capital IQ data base

The analysis of the resulting data indicates a ranging of the multiple between 6.0x EBITDA – 12.0x EBITDA. To estimate the equitable value, we considered using the average multiples resulting from the analysis performed (in this case 9.2 x EBITDA) as adequate, considering:

• The maturity reached by the Company, the sale of products on the European market, and a high number of customers maintained over the years.
• At the valuation date, the operational activity is profitable and is within the market margin.
• The company is listed on the capital market.

Estimating the equity value

To determine the value of equity capital, we considered:

- The value of the financial debts on the Valuation Date, in accordance with those recorded and highlighted in the income approach;
- Value of amounts to be collected from related entities;
- The value of liquidities reflected in the balance sheet at the valuation date.

Starting from the previously detailed aspects, in conjunction with market multiples (LTM) – the last 12 months, we can estimate the equitable value of Zentiva's equity through the market approach, starting from the level of the budgeted EBITDA for the whole year 2024:

	EV/EBITDA
Multiple	9.2x
EBITDA estimated for 2024	262,352,315
Enterprise value	2,425,816,423
Redundant assets (+)	-
Difference in NWC (+/-)	-
Invested capital value	2,425,816,423
Financial debt (-)	-
Cash and equivalents (+)	658,723,710
Equity value (lei)	**3,084,540,133**

Source: Darian DRS analysis

Considering that we estimate the equitable value, no adjustment related to the discount for lack of marketability or control premium has been applied.

Multiple	EV/EBITDA LTM
Variation coefficient	0.5
Equity value (lei)	3,084,540,133
Multiple weight	100.0%
Equity value (lei)	**3,084,540,000**
Equity weight	100.0%
Total equity value - 100%	3,084,540,000
Number of shares	697,017,040
Equitable value (lei / share)	**4.4253**

Source: Darian DRS analysis

The equitable value of 100% of the share capital of the company Zentiva, through this approach is:

V = 3,084,540,000 lei, equivalent of 4,4253 lei/share

4. ANALYSIS OF RESULTS AND CONCLUSION UPON VALUE

The valuation approaches that have been applied are:

- *Income approach* – a general way of estimating the value of an enterprise by converting the forecast benefits into the present value of capital.
- *Market approach* – a general way of estimating the value of an enterprise by comparring the subject with similar companies that have been traded.

Considering the aspects presented in the report, it can be considered that for the purpose of this valuation and the relevance of the data and information used in the application of the valuation methods, the result of the income approach is the most representative. The arguments for selecting the outcome of the income approach are:

- The value obtained by the method of discounted cashflow considers both the production potential of the company, based on the current activity carried out within it, as well as the impact of intangible assets. The method is based on the estimated cashflows in accordance with the financial projections drawn up by the valuer. Consequently, the value obtained best reflects the expectations of potential investors regarding the future financial performance of the company, with the reservations mentioned by the valuer in the presentation of the application of the method, with reference to the risks that may have a significant impact on the evolution and future development of the company. Considering the aspects presented in the report, it can be considered that, for the purpose of this valuation and the relevance of the data and information used in the application of the valuation methods, the result of the income approach, respectively of the discounted cashflow method, is the most representative.
- Considers all aspects specific to the line of activity of production and trade in accessories for ventilation systems, quantified through financial projections.
- The financial forecasts were developed considering the current stage and development potential, the history of the activity as well as the information known at the time of the valuation regarding the future evolution.

Based on the data, analysis and judgments presented in the report, the valuers considers that the indication of equitable value of 100% of Zentiva shareholders' equity, at June 2024, is the one resulting from income approach:

V = 3,145,890,900 lei, equivalent of 4.5134 lei/share

Mihaela LUȚIA, CFA - Business Valuation
Authorized valuer ANEVAR - Real Estate Valuation

Adeline BONTAȘ, - Business Valuation
Authorized valuer ANEVAR

5. ANEXXES

Profit and loss budget

	2024	2025	2026	2027	2028
Sales Revenue, Net	**1,139,484,129**	**1,182,078,190**	**1,225,299,974**	**1,301,905,344**	**1,360,214,423**
Claw-back	(64,154,984)	(58,370,849)	(59,587,006)	(61,982,279)	(64,024,759)
Costs of Goods Sold	(663,473,124)	(680,824,669)	(708,361,211)	(749,140,317)	(784,164,347)
Distribution	(15,093,920)	(14,978,546)	(16,585,598)	(17,393,956)	(18,387,174)
Gross Profit	396,762,101	427,904,126	440,766,160	473,388,792	493,638,143
Margin	0.35	0.00	0.00	0.00	0.00
Selling Expenses	**(81,030,504)**	**(78,976,100)**	**(82,942,996)**	**(86,734,735)**	**(90,461,540)**
General and Administrative Expenses	(17,613,241)	(25,978,841)	(27,695,293)	(29,904,876)	(30,965,614)
Research and Development	(11,125,425)	(3,340,582)	(3,715,680)	(4,107,926)	(4,541,579)
Intercompany expenses	(57,750,000)	(57,750,000)	(57,750,000)	(57,750,000)	(57,750,000)
Income From Operations	**229,242,931**	**261,858,604**	**268,662,190**	**294,891,254**	**309,919,409**
Other Financial Gains and Losses, net	29,150,000	29,150,000	29,150,000	29,150,000	29,150,000
Income Before Taxes	258,392,931	291,008,604	297,812,190	324,041,254	339,069,409
Income Tax	(43,926,798)	(49,471,463)	(50,628,072)	(55,087,013)	(57,641,800)
Net Income	214,466,133	241,537,141	247,184,118	268,954,241	281,427,610
D&A - Mil RON	33,109,384	35,240,426	35,662,094	35,821,829	36,714,066
EBITDA	**262,352,315**	**297,099,030**	**304,324,284**	**330,713,083**	**346,633,476**
EBITDA margin	23.0%	25.1%	24.8%	25.4%	25.5%