



ZENTIVA

len skupiny sanofi-aventis

ANNUAL REPORT 2011

Zentiva, the European generic brand of Sanofi, is the third biggest of the rapidly growing generic companies headquartered in Europe. Zentiva develops, produces and sells high-quality and reliable medicinal products at affordable prices for both patients and health care providers in more than 30 markets in Europe and in non-European countries.

ZENTIVA
A SANOFI COMPANY

**Appendix to the auditor's report
on the consistency of annual report with audited financial statements
in accordance with Act No. 540/2007 Z.z. § 23 par. 5**

To the Shareholder of Zentiva International a.s.:

- I. We have audited the financial statements of Zentiva International a.s. ("the Company") as at 31 December 2011 presented in the annual report on pages in Appendix 1. We issued the following audit report dated 30 March 2012 on the financial statements:

"Independent Auditors' Report"

To the Shareholder of Zentiva International a.s.:

We have audited the accompanying separate financial statements of Zentiva International a.s. ("the Company"), which comprise the balance sheet as at 31 December 2011 and statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

***30 March 2012
Bratislava, Slovak Republic***

***Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257***

***Ing. Roman Šípoš
UDVA Licence No. 977"***

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

- II. We have also audited the consistency of the annual report with the above-mentioned financial statements. The management of the Company is responsible for the accuracy of preparation of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements, based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accounting information presented in the annual report and derived from the financial statements is consistent, in all material respects, with the financial statements. We have checked that the information presented in the annual report on pages 1 – 12 is consistent with that contained in the audited financial statements as at 31 December 2011. We have not audited information that has not been derived from audited financial statements or Company accounting records. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements of the Company as at 31 December 2011 in and are in accordance with the Act on Accounting No 431/2002 Z.z., as amended by later legislation.

29 June 2012
Bratislava, Slovak Republic

A handwritten signature in blue ink that reads 'Ernst & Young' in a cursive style.
Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

A handwritten signature in blue ink, appearing to be 'Peter Matejička', written in a cursive style.
Ing. Peter Matejička
SKAU Licence No. 909

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Appendix 1: Financial Statements and Auditor's Report for the Year Ended 31 December 2011

About Zentiva International a.s.

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Business name: **Zentiva International a.s.**
Legal form: public limited company
Registered office: Nitrianska 100, 920 27 Hlohovec
Registration no.: 35687355
Date of formation: 20 September 1995
Founder: Léčiva, a.s. Dolní Měcholupy 130, Prague 10
Organisational units abroad:

Business representation in Ukraine activities suspended
Frolovskaya Str., 9/11 (Swiss House), 1-st floor, 04070 Kiev

Business representation in Estonia activities suspended
8 Soola, 51013 Tartu

Business representation in Kazakhstan activities suspended
St. Jambula Str. 13, app. 2 4800 100 Alma-Ata

Business representation in Romania activities suspended
Str. Therodor Pallady nr. 50, sector 3, Bucuresti

Business representation in Lithuania activities suspended
Lukšio 32/Kubiliaus 12, LT 08222 Vilnius

Business representation in Latvia activities suspended
Maskavas 240, LV-1063, Riga

Business representation in Uzbekistan in liquidation
Blok C-13, 5/66, 700128 Tashkent

Share capital: EUR 6,671,970

Shares issued:

Class: ordinary shares with voting rights

Type: registered

Form: certificates

Par value: EUR 6,671.97

Number of shares: 1,000

Zentiva International, a.s. Hlohovec (the Company) focuses predominantly on the purchase of goods for sale to end-users. The Company is part of the Zentiva N.V. group, with the registered office at Fred. Roeskestraat 1231 HG EE, Amsterdam, the Netherlands. The majority shareholder of Zentiva N.V. is Sanofi-Aventis. The consolidated financial statements for all groups of accounting entities and the Company are prepared by Sanofi Aventis S.A., which has its registered office at 174 avenue de France, 75635 Paris cedex 13, France.

Zentiva N.V. is an international pharmaceuticals company with a leading position in the pharmaceuticals market in the Czech Republic, Turkey, Romania and the Slovak Republic; it is one of the largest companies in Central and Eastern Europe. Zentiva has also expanded its operations to significant markets in other states in the region, including Poland, Russia, Ukraine, Hungary, Bulgaria and the Baltic states. Zentiva's strategy, which focuses on profitable growth, promotes the enhanced availability of modern medicaments via primary healthcare providers to patients in Central and Eastern Europe.

Key Figures

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	2011	2010
Revenues (EUR 000)	399,806	619,457
Profit before tax (EUR 000)	8,326	34,752
Tax (EUR 000)	(2,515)	(6,765)
Profit after tax (EUR 000)	5,811	2,986
Investments (EUR 000)	-	348
Average number of employees (persons)	17	305
Number of ordinary shares at a par value of EUR 6,671.79	1,000	1,000
Dividend per ordinary share (EUR)	0	0
Profit before tax margin (%)	2.1	5.6
Profit after tax margin (%)	1.5	4.5

Shareholders' structure:

As at 31 December 2011, the sole shareholder of the Company was Zentiva Group, a.s. which has its registered office at U Kabelovny 130, 102 37 Prague 10, Dolní Měcholupy.

Bodies of the Company

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Board of Directors

Ing. Jiří Vácha – Chairman of the Board of Directors
Blake Dark – Member of the Board of Directors
Isabelle Auger – Member of the Board of Directors
José Davila – Member of the Board of Directors

Supervisory Board

Eric Jullien
Hermes Martet
Jérôme Silvestre

Report of the Board of Directors

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Zentiva's Strategy

The key element of Zentiva's strategy that is focused on further profitable growth is promoting the enhanced availability of modern medicaments via primary healthcare providers to patients in Central and Eastern Europe. In 2011, the parent company Sanofi decided to make Zentiva its sole brand for all generic medicinal products in Europe. Its former generic medicaments trademarks used in Western Europe, Winthrop and Helvepharm, have been changed to Zentiva. As the centre of the new European Generic Platform ("the EGP"), the Company promotes an active approach to entering Western European markets where the Group's generic medicinal products have been traded under the Zentiva brand since 2011.

The Zentiva Group products have been developed to treat pain, cardiovascular diseases, diseases of the central nervous system, as well as diseases of the gastrointestinal, urinary and reproductive systems and respiratory diseases. In the area of food supplements, the products include in particular preparations containing vitamins.

Within the EGP, Zentiva is planning significant growth in new products to foster its position on the European pharmaceuticals markets in 2012 and the forthcoming years.

Company's Outlook in 2012

In 2011 a new project was introduced, in which the business model for the sale and distribution of finished products of the Zentiva Group companies is to be gradually changed. Within the framework of the project, the business model used by the Zentiva Group companies to date (the central business and distribution company is Slovak Zentiva International, a.s.) has been changed to the business model used within the Sanofi Group (the central business and distribution company is French Sanofi Winthrop Industries SA). This change has

also resulted in significant adjustments to the structure of logistics and financial flows in the Company. The changes will be reflected mainly in gradual decrease in portion of products produced in other companies of Zentiva group and enhanced focus on the distribution of goods produced outside the Sanofi group, including growth in proportion of such goods. Taking into consideration the volume of finished products concerned and the technological and administrative demands of the project, changes have been introduced gradually in several phases since May 2011. The project will continue to be implemented in 2012. The termination of the project is estimated to be when the model has been completely changed for all products of the Zentiva Group, as well as the third parties products, so the completion date has not yet been determined.

Within this project, Zentiva production companies have gradually started to use central sales and distribution company Sanofi Winthrop Industries SA for sales of its products within sanofi-aventis group on certain major sales territories. Due to this reason, further decrease in revenues and profit is expected in 2012. As of the date of completion of this annual report, the Company continues to sell medicinal products in Czech Republic, Slovakia and certain territories of central Asia. The Company is also still selling the third parties products.

The Company does not undertake any of its own research and development.

Financial Report

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5.1. Income Statement

Revenues

The total revenues of Zentiva International, a.s. Hlohovec topped EUR 399,806 thousand in 2011 (compared with EUR 619,457 thousand in 2010), which is a year on year decrease of 35.5%. Goods sold decreased by 33.6% compared with 2010 as a result of the fact that Zentiva companies have started to sell part of their production via SWIND France since July 2011. The production companies within the Zentiva group only sell via Zentiva International a.s. on the Slovak, Russian, Ukrainian and Kazakhstan territory. Direct sales of Zentiva products are also performed in certain territories of central Asia (e.g. Uzbekistan, Armenia, Georgia). Due to suspending and liquidation of the business representatives operations in these territories, the marketing services revenues have also decreased (by 96.7% comparing with 2010).

The key figures in services relate to invoices for marketing services provided to related parties, at 96.8% of the total services.

Income from operations

The operating profit decreased by 45.9% in 2011 compared with 2010, primarily due to decreased sales. The operating profit margin totalled 2.9% (compared with 3.6% in 2010).

Income from financing activities

The Company reported loss of EUR 3,588 thousand from financing activities (including interest costs) (compared with profit of EUR 12,730 thousand in 2010). The net loss from foreign exchange differences topped EUR 592 thousand in 2011 (compared with profit of EUR 14,279 thousand in 2010).

Profit before and after tax

In 2011, Zentiva International a.s. Hlohovec reported pre tax profits of EUR 8,326 thousand (compared with EUR 34,752 thousand in 2010) and profit after tax of EUR 5,811 thousand (compared with EUR 27,986 thousand in 2010).

5.2. Profit Distribution Proposal

The Company's Board of Directors proposes retaining the profit after tax as retained earnings.

of EUR 5,811,011.47

5.3. Balance Sheet

The acquisition of the Zentiva Group by the sanofi-aventis Group resulted in curtailment of the operations of business representatives on the territories of Zentiva International. The Company sold all its tangible non-current assets in these territories.

Since the beginning of 2011, the Company abandoned the cash-pooling structure in Tatra bank and has focused on the cash management structure of sanofi-aventis, which was entered in June 2010. The interest rates applied in the cash management structure of sanofi-aventis are comparable to the interest rates provided on the financial market.

The receivables and liabilities from cash-management structure are reported as other non-current receivables and liabilities.

The Company reported decrease in individual balance sheet items as at 31 December 2011 compared with the corresponding period in 2010, as a result of curtailment of its business activities.

Lawsuits

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Lawsuits filed by the Company:

In 2011, the Company did not file any motions to commence proceedings to issue a compulsory payment order or ruling, which could have a significant effect on the financial position of the Company.

Lawsuits filed against the Company:

In 2011, no motion to commence proceedings to issue a compulsory payment order or ruling, which could have a significant effect on the financial position of the Company, was filed against the Company.

Environment

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The Company's operation has a negligible impact on the environment.

Zentiva International, a. s.

**Financial Statements
for the Year Ended 31 December 2011**

Prepared in Accordance with International Financial Reporting Standards

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Zentiva International, a.s.
Financial Statements for the Year Ended 31 December 2011

Income Statement

<i>(in thousands of EUR)</i>	Note	2011	2010
Total sales	4	399,212	601,588
Cost of goods sold		<u>-380,975</u>	<u>-564,030</u>
Gross margin		18,237	37,558
Sales of services	4	594	17,869
Energy and material consumption		-46	-1,162
Services	4	-9,186	-27,485
Personnel expenses	5	3	-6,936
Taxes and fees		-367	-662
Depreciation of property, plant and equipment		-39	-705
Other operating income / (expenses)	4	<u>2,718</u>	<u>3,545</u>
Profit before tax and finance costs	4	11,914	22,022
Interest income		74	360
Interest expenses		-372	-1,065
Other finance income / (expense)	4	<u>-3,290</u>	<u>13,435</u>
Profit before tax		8,326	34,752
Income tax expense	6	<u>-2,515</u>	<u>-6,766</u>
Net profit		5,811	27,986
Net profit per share		<u>5,811.00</u>	<u>27,986.22</u>

Zentiva International, a.s.
Financial Statements for the Year Ended 31 December 2011

Statement of Comprehensive Income

<i>(in thousands of EUR)</i>	2011	2010
Net profit for the period	5,811	27,986
Other comprehensive income	-	-
Total comprehensive income for the period	5,811	27,986

Zentiva International, a.s.
Financial Statements for the Year Ended 31 December 2011

Balance Sheet

<i>(in thousands of EUR)</i>	Note	31 December 2011	31 December 2010
Assets			
Non-current assets:			
Property, plant and equipment	7	-	558
Deferred tax asset	8	1,142	2,503
Total non-current assets		1,142	3,061
Current assets			
Inventory	9	2,218	1,973
Trade and other receivables	10	127,962	218,253
Income tax	6	4,383	-
Cash and cash equivalents	11	801	10,210
Other current assets	10	18,686	20,486
Total current assets		154 050	250,922
Total assets		155,192	253,983
Liabilities and shareholders' equity			
Equity:			
Share capital	12	6,672	6,672
Retained earnings and other funds	13	57,891	52,079
Total shareholders' equity		64,563	58,751
Non-current liabilities			
Long-term liability		40	39
Long-term provisions	15	-	-
Total non-current liabilities		40	39
Current liabilities			
Short-term provisions	15	405	966
Trade and other liabilities	14	90,184	191,834
Income tax payable	6	-	2,393
Total current liabilities		90,589	195,193
Total liabilities and shareholders' equity		155,192	253,983

Zentiva International, a.s.
Financial Statements for the Year Ended 31 December 2011

Statement of Cash Flows

<i>(in thousands of EUR)</i>	Note	2011	2010
Cash flows from operating activities	16	47,905	-9,160
Income tax paid		-7,936	-4,576
Net cash flows from operating activities		<u>39,969</u>	<u>-13,736</u>
Cash flows used in investing activities			
Purchase of property, plant and equipment		-	-166
Proceeds from disposal of financial investment		-	-
Proceeds from disposal of property, plant and equipment		945	70
Net cash flows used in investing activities		<u>945</u>	<u>-96</u>
Cash flows used in financing activities			
Loans received from related parties (financing)		-56,042	12,103
Loans provided to related parties (financing)		6,017	1,195
Interest paid		-372	-1,065
Interest income		74	360
Net cash flows used in financing activities		<u>-50,323</u>	<u>12,593</u>
Net increase (decrease) in cash and cash equivalents		-9,409	-1,239
Cash and cash equivalents at beginning of period		10,210	11,449
Cash and cash equivalents at end of period	11	801	10,210

Zentiva International, a.s.
Financial Statements for the Year Ended 31 December 2011

Statement of Changes in Shareholders' Equity

<i>(in thousands of EUR)</i>	Share capital	Retained earnings and other funds	Total
Balance as at 31 December 2009	6,672	24,094	30,766
Net profit for 2010	-	27,986	27,986
Balance as at 31 December 2010	6,672	52,080	58,752
Net profit for 2011	-	5,811	5,811
Balance as at 31 December 2011	6,672	57,891	64,563

Zentiva International, a.s.
Financial Statements for the Year Ended 31 December 2011

1. Corporate Information

Zentiva International, a.s. ("Zentiva International" or "the Company"), was incorporated as a joint-stock company under the laws of the Slovak Republic on 25 September 1995 as Léčiva Bratislava, a.s.. The Company name has been changed to Zentiva International a.s. since 29 September 2003.

The sole shareholder of the Company as at 31 December 2011 is Zentiva Group, a.s. with its registered office at U Kabelovny 130, 102 37 Praha 10, Dolni Mecholupy.

The Company is primarily engaged in purchase and resale of merchandise - wholesaling of pharmaceutical products on the Slovak, Czech, Polish, Romanian, Russian, Ukrainian market and other foreign markets. The Company only sells branded Zentiva pharmaceutical products which are purchased from manufacturing companies within Zentiva group.

Zentiva International has sales offices in the following territories: Ukraine, Estonia, Kazakhstan, Romania, Latvia, Lithuania and Uzbekistan. Business activities in Romania, Ukraine, Latvia, Lithuania, Estonia and Kazakhstan has been suspended, sales office in Uzbekistan is in liquidation.

Company's registered office:

Zentiva International, a.s.
Nitrianska 100
920 27 Hlohovec
Slovak Republic

Business registration No.: 35687355
Tax registration No.: SK 2020308785
Legal form: joint-stock company
Date of incorporation: 2 April 1996

Declaration of conformity

Since 1 January 2008 the Company prepares its financial statements in accordance with IFRSs as adopted by the EU, by course of the Slovak Law on Accounting. Currently, considering the EU approval process and business activities of the Group there is no difference between the IFRS applied by the Company and IFRS as adopted in the EU.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which contain standards and interpretations approved by the International Accounting Standards Board and the Commission for the Interpretation of International Financial Reporting Standards which were adopted by the European Union (EU).

The financial statements of the Company for the period ended 31 December 2011 have been prepared as annual financial statements under the Slovak Law on Accounting no. 431/2002as amended, pursuant to § 17aon a going concern basis, for the period from 1 January 2011 to 31 December 2011. The data in the financial statements are presented in thousands of euro ("the thousand EUR").

Date of authorization of the prior year financial statements

The financial statements of the Company for the prior period ended 31 December 2010 were approved by the Annual General Meeting on 3 June 2011.

Board of Directors of the Company

Ing. Jiří Vácha – chair
Blake Dark – member
Isabelle Auger – member
José Davila – member

Zentiva International, a.s.
Financial Statements for the Year Ended 31 December 2011

1. Corporate Information (continued)

Supervisory Board

Hermes Martet
Eric Jullien
Jérôme Silvestre

Information on consolidated entity

The Company is a member of ZENTIVA N.V., Group with its registered office at Fred.Roeskestraat 1231, HG EE Amsterdam, Netherlands. The majority shareholder of ZENTIVA N.V. is sanofi-aventis. The consolidated financial statements for all the entities within the Group, as well as for the Company, is prepared by Sanofi Aventis S.A., with the registered office at 174 avenue de France, 75635 Paris cedex 13, France.

The Company is not a partner with unlimited liability in any entity.

Information on auditors

The financial statements of Zentiva International, a.s. Hlohovec are audited by ERNST & YOUNG Slovakia, spol. s r.o., Hodžovo námestie 1 A, 811 06 Bratislava, license SKAU no. 257. The audit services fees were EUR 35 thousand in 2011 (EUR 41 thousand in FY 2010).

Zentiva International, a.s.
Financial Statements for the Year Ended 31 December 2011

1. Corporate Information (continued)

Supervisory Board

Hermes Martet
Eric Jullien
Jérôme Silvestre

Information on consolidated entity

The Company is a member of ZENTIVA N.V., Group with its registered office at Fred.Roeskestraat 1231, HG EE Amsterdam, Netherlands. The majority shareholder of ZENTIVA N.V. is sanofi-aventis. The consolidated financial statements for all the entities within the Group, as well as for the Company, is prepared by Sanofi Aventis S.A., with the registered office at 174 avenue de France, 75635 Paris cedex 13, France.

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2. Summary of Significant Accounting Policies

a) Basis of preparation and accounting

The financial statements of the Company were prepared on a going concern basis and on a historical cost basis.

The accounting period is calendar year.

b) Significant accounting judgments, estimates and assumptions

In the process of applying the adopted accounting policies, management has made certain judgments which have a significant effect on the amounts recognized in the financial statements (apart from those involving estimates, which are dealt with below). The judgments are detailed in the respective notes; the two most important relate to the allowance for doubtful debts and determination of the net realizable value of merchandise.

Allowance for doubtful debts

The Company creates allowance for doubtful debts based on an assessment of the expected future cash inflows. Creation of allowance is based on the prior experience and expectations of the Company as for the collectability of the receivables.

c) Changes in accounting policies

The accounting principles applied are consistent with the accounting principles applied in the previous accounting periods.

Standards, interpretations and amendments to the published standards effective in 2011 and applicable to the Company

IAS 24 Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011)

Improvements to the International Financial Reporting Standards

In May 2010, the IASB issued an omnibus of amendments to IAS standards and IFRIC interpretations, primarily with a view to removing inconsistencies and clarifying wording. The following standards and interpretations were amended:

IFRS 7 Financial Instruments: Disclosures, effective for annual periods beginning on or after 1 January 2011

IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after 1 January 2011

Standards, interpretations and amendments to the published standards effective in 2011 and not applicable to the Company

IFRS1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosure for First-time Adopters

Improvements to the International Financial Reporting Standards

In May 2010, the IASB issued an omnibus of amendments to IAS standards and IFRIC interpretations, primarily with a view to removing inconsistencies and clarifying wording. The following standards and interpretations were amended:

IFRS 3 Business Combinations, effective for annual periods beginning on or after 1 July 2010

IAS 34 Interim Financial Reporting, effective for annual periods beginning on or after 1 January 2011

IFRIC 13 Customer Loyalty Programmes, effective for annual periods beginning on or after 1 January 2011

IAS 27 Consolidated and Separate Financial Statements, effective for annual periods beginning on or after 1 July 2010

Zentiva International, a.s.
Financial Statements for the Year Ended 31 December 2011

Standards, interpretations and amendments to published standards that have been published, are not effective for accounting periods starting on 1 January 2011, and for which the Company has not opted for early adoption

IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation
 IFRS 7 Financial Instruments: Disclosures (Amendment)
 IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
 IFRS 9 Financial Instruments – Classification and Measurement
 IFRS 10 Consolidate Financial Statements, IAS 27 Separate Financial Statements
 IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures
 IFRS 12 Disclosure of Interests in Other Entities
 IFRS 13 Fair Value Measurement
 IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
 IAS 19 Employees Benefits (Revised)

d) Functional and presentation currency

On the basis of the economic substance of the underlying events and circumstances, the euro was determined as the functional currency and the currency of the Company's presentation.

e) Foreign currency translation – transactions and balances

Transactions in foreign currencies are recorded at the exchange rate pertaining at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange as at the reporting date. All differences are taken to the income statement.

f) Property, plant and equipment

Property, plant and equipment are stated at cost or production cost less accumulated depreciation and any impairment in value. Production costs for self-constructed assets include cost of materials, direct labor and an appropriate proportion of production overheads. Cost comprise from the purchase price and costs directly attributable to acquisition (transport, assembly, etc.). Interests from loans have not been capitalized as the Company has not fulfilled.

Replacements and improvements which prolong the useful life or significantly improve the condition of the asset are capitalized. Maintenance and repairs are recognized as an expense in the period in which they are incurred.

Freehold land is not depreciated.

The Company assesses the remaining useful lives of items of property, plant and equipment and the depreciation methods applied on at least an annual basis, to ensure that the depreciation method and period are consistent with the expected inflows of economic benefits. The estimated useful lives used for property, plant and equipment are as follows:

Assets	Number of years	Depreciation method	Annual depreciation rate
Buildings and structures	45	Linear	2,23%
Machinery and equipment	4 - 8	Linear	12,5% - 25%
Vehicles	4	Linear	25%
Small tangible assets	4-8	Linear	12,5% - 25%

The cost of properties retired or otherwise disposed of, together with the accumulated depreciation provided thereon, is eliminated from the accounts. The net gain or loss is recognized as other operating income or expense.

Zentiva International, a.s.
Financial Statements for the Year Ended 31 December 2011

Items of property, plant and equipment with useful lives of more than one year and with a cost not exceeding EUR 1,700 are classified as small tangible assets and depreciated for 2 to 10 years from the date they were put in use.

g) Intangible assets

Intangible assets acquired separately, it means not in the acquisition, are stated at cost. Intangible assets created by the Company are not activated and associated costs are expensed in the period in which they incurred. Cost comprises from purchase price (purchase price) and costs associated with the acquisition. Interest on loans are has not been capitalized, because the Company has not had qualifying assets.

Intangible assets comprise mainly software licenses and software are depreciated on a linear basis during the estimated useful life of 2-5 years.

Intangible assets with a useful life longer than one year and cost up to 2 400, - EUR represent small intangible assets which are depreciated for two years from the date they were put in use.

h) Leases

Finance leases, which substantially transfer to the entity all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over whichever is the shorter of the estimated useful life of the asset or the lease term (if the entity is not entitled to purchase the leased item after the lease expires).

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

i) Inventories

Inventories are valued at pre-determined acquisition costs (standard price) determined annually by the entity. Differences between standard cost and actual acquisition cost are recognized through standard cost variances.

j) Impairment of non-financial assets

The book value of tangible and intangible assets is reviewed for potential reductions if events or changes in the facts indicate that the carrying amount is greater than its recoverable amount. If there is evidence which indicates that the value of property decreased and when the value of asset exceeds its estimated recoverable amount, the Company reduces the value of assets or cash flow generating unit to the recoverable amount. The recoverable value of assets is equal to its net realizable value or value in use, whichever of these values is higher. In determining value in use, expected cash flows are discounted to present value of pre-tax rate that reflects current market assessments of time value of money and risks specific to the asset. In the case of property which does not generate largely independent cash realizable value is determined for the cash flow generating unit to which the asset belongs. Any losses related to the impairment of assets are stated in the income statement

The Company assesses the indicators of possible decrease or release of the impairment created in the previous periods on an annual basis. If such indications exist, the Company makes an estimate of the net realizable value. Release of impairment created in previous years is presented in the income statement only if there has been a change in estimated net realizable value of assets since the last assessment. Net realizable value of an asset after release of impairment provision cannot be higher than its net book value (it means cost less accumulated depreciation), as if no impairment provision had been created.

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k) Financial instruments

Financial assets and financial liabilities presented on the balance sheet include cash and cash equivalents, financial assets available for trading, trade and other receivables and payables, and loans and borrowings. The accounting policies applied in the presentation and measurement of these items are described below.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual agreement. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Derecognition of a financial asset takes place when the Company no longer controls the contractual rights that comprise the financial asset, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed over to an independent third party.

l) Accounting for financial derivative instruments

Since June 2010, the Company has been involved in the sanofi-aventis cash-management structures, part of which is also a system of protection against foreign currency risk, realized by Sanofi-Aventis SA France. The protection against foreign currency risk also includes transactions with currency derivatives which fail to meet the criteria to be considered as hedging derivative instruments.

Derivative financial instruments are initially recognized at fair value on the date that a derivative contract is entered into and are subsequently re-measured to their fair value. Derivatives are held as assets when their fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are recognized immediately in profit/loss for the accounting period as financial income or financial expenses.

m) Accounts receivable

Trade receivables, which generally have 30-150 day maturity period, are recognized and carried at an original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is created when collection of the full amount is no longer probable. Bad debts are written off when identified.

n) Cash and cash equivalents

Cash and cash equivalents comprise cash in bank and on hand, and short-term deposits with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

The Company was involved in the Zentiva group euro currency cash-pooling structure in Tatrabanka a.s. Bratislava until the beginning of 2011 (the owner of main account was Zentiva a.s. Hlohovec).

Since the beginning of FY 2011 the Company abandoned the cash-pooling structure in Tatra banka and currently it is involved in sanofi-aventis cash management scheme.

Receivables and liabilities within sanofi-aventis cash-management structures are presented within other current receivables or liabilities.

o) Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

p) Trade payables

Trade payables are initially measured at fair value and subsequently at amortized cost using the effective interest rate method.

q) Provisions

Provisions are recognized when the Company bears a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

r) Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Sales are recognized net of VAT, excise tax and discounts when delivery of goods or rendering of the service has taken place and transfer of risks and rewards has been completed.

Interest is recognized on a time-proportionate basis that reflects the effective yield on the related asset.

Revenues from sale of licenses are recognized when they are reasonably secured and cash has been received.

s) Income tax

Deferred income tax is provided, using the liability method and balance sheet approach, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities and assets are recognized for all taxable and deductible temporary differences except for initial recognition of an asset or a liability in a transaction which is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

t) Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the financial statements. They are disclosed in Notes if the possibility of an outflow of resources embodying economic benefits is possible.

Contingent assets are not recognized in the financial statements. They are disclosed in Notes to financial statements if the possibility of an outflow of resources embodying economic benefits is possible.

u) Events after the Balance sheet date

The events that occur after the balance sheet date but have an impact on the financial situation of the Company at that date (the "adjusting events") are disclosed in the financial statements. Other events after the balance sheet date are disclosed in the financial statements only if they are significant.

3. Financial Risk Management

Fair value of financial instruments

Financial instruments included in balance sheet comprise of investments, trade receivables, other current assets, cash and cash equivalents, short-term loans, trade payables, other liabilities and financial derivatives.

Financial risk management

The Company's business is exposed to various financial risks, including the impact of changes in foreign exchange rates and interest rates on loans. The Company's risk management program focuses on unpredictable events on financial markets and aims to minimize potentially unfavorable effects on financial performance of the entity.

From June 2010 the risks are managed centrally at the sanofi-aventis cash management level.

(i) Foreign currency risk

The functional currency of the Company is EUR, which is the currency of the country that is decisive for the regulatory environment wherein the Company operates, and the currency that influences labor costs and the costs of goods sold to the most considerable extent.

A portion of sale and purchase prices is subject to exchange rate fluctuations. Since the entry into the sanofi-aventis cash-management structures in June 2010, the foreign currency risk is managed by sanofi-aventis. The Company hedges all trade receivables (including advance payments made and accrued receivables) and payables (including provisions, accrued payables and advance payments received) in selected foreign currencies. The foreign currencies selected include those with a planned annual turnover equal or higher than EUR 1,000 thousand.

(ii) Interest rate risk

The Company's profit/loss and cash flows from operating activities are, to a significant extent, independent of changes in market interest rates. Loans payable have floating interest rates.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the entity's profit before tax (through the impact on interest-bearing assets). The Company's equity should not be affected by the change in interest rates.

As at 31 December 2011

Base rate	Effect on profit before tax (in thousands of EUR)	
	Increase by 25 basis points	Decrease by 25 basis points
EURIBOR, or other reference rate	(65)	65

As at 31 December 2010

Base rate	Effect on profit before tax (in thousands of EUR)	
	Increase by 25 basis points	Decrease by 25 basis points
EURIBOR, or other reference rate	(164)	(164)

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(iii) Credit risk

In accordance with the internal procedures and principles the Company offers the goods and services only to customers with appropriate credit history. The counterparties in derivative contracts and financial transactions represent only the financial institutions with high credit rating. It is Company policy to reduce the dependence on any financial institution to a minimum level. The maximum risk to the Company in this regard, corresponds to the carrying amount of receivables specified in note 11.

In connection with the acquisition of Zentiva group by sanofi-aventis group in 2009, the portfolio of Company customers has changed. In 2010, 96% of total revenues from sales of goods and services made within the sanofi-aventis (4% to external customers). In 2011 it was 97% of total revenues for goods and services made within sanofi-aventis Group (3% to external customers).

(iv) Liquidity risk

The assumption of prudent liquidity management is to have available sufficient amount of cash and marketable securities and to secure funding by sanofi-aventis cash management structures, credit lines and involvement in cash pooling scheme. Considering the dynamic changes in the business activities of the Company (and its parent company), the objective of Treasury Department is to maintain flexibility through participation in the sanofi-aventis cash-management structures; since the beginning of 2011, the Company has been focusing fully on the sanofi-aventis cash management structures, with parallel drawing of credit lines

The table below summarizes the maturity profile of the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments:

Year ended 31 December 2011 (in thousands of EUR)	On demand / Within maturity	Less than 3 months	3 to 12 months	1 to 5 years	Total
Liabilities from currency derivatives (Note 14, 18)	26,973	-	-	-	26,973
Trade and Other liabilities (Note 14)	37,109	53,035	-	40	90,184

Year ended 31 December 2010 (in thousands of EUR)	On demand / Within maturity	Less than 3 months	3 to 12 months	1 to 5 years	Total
Liabilities from cash pooling and cash management (Note 21)	83,015	-	-	-	83,015
Trade and Other liabilities (Note 17)	191,005	790	-	39	191,834

(v) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximize shareholder value.

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Fair values

Below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are included in the financial statements:

	Carrying amount (in thousands of EUR)		Fair value (in thousands of EUR)	
	2011	2010	2011	2010
Cash and cash equivalents	801	10,210	801	20,210
Trade receivables	122,498	194,327	112,328	194,327
Trade payables	62,540	108,506	51,852	108,506
Receivables from financing	1,072	7,088	1,072	7,088
Liabilities from financing	26,973	83,015	26,973	83,015

For financial instruments with maturity period of less than one year, there is a presumption that the fair value approximates to their carrying amounts. The fair value of financial instruments with maturity period over one year is estimated by discounting future cash flows using the prevailing interest rates (as at 31 December 2011, and as at 31 December 2010 the Company had no financial instruments with maturity period over one year except for liabilities from social fund).

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Notes to Financial Statements

4. Revenues and Expenses

Revenues from merchandise

<i>(in thousands of EUR)</i>	2011	2010
Czech republic	130,483	183,002
Slovak republic	51,311	94,529
Poland	40,684	87,872
Romania	43,428	81,177
Russia	86,530	80,133
Other countries	46,776	74,875
Total revenues from merchandise	399,212	601,588

Revenues from services

<i>(in thousands of EUR)</i>	2011	2010
Revenues from marketing services	575	17,361
Revenues from other services	19	508
Total	594	17.869

In 2011, 97% of total revenues from merchandise and services represent intercompany sales within sanofi-aventis group (3% of revenues relate to external customers). In 2010, 96% of total revenues from merchandise and services represent sales to sanofi-aventis group (4% sales to external customers).

Services costs

<i>(in thousands of EUR)</i>	2011	2010
Distribution costs	5,056	12,973
Transportation	1,932	2,127
Corporate costs	1,283	1,879
Advisory	197	892
Marketing	573	6,189
Rent	62	366
Communication	7	233
Travelling	6	1,004
Representation	5	564
Repairs	8	423
Other	57	835
Total	9,186	27,485

Distribution services represent costs of sanofi-aventis companies for selling the goods of Zentiva International a.s..

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4. Revenues and Expenses (continued)

Other operation income / (expenses)

<i>(in thousands of EUR)</i>	2011	2010
Release / (creation) of bad debt allowance	1,645	-7,140
Liquidation of drugs after expiration date	-	-
Other expenses	1,073	10,685
Total	2,718	3,545

Other financial income / (expenses)

<i>(in thousands of EUR)</i>	2011	2010
Foreign exchange losses	-37,111	-51,198
Foreign exchange gains	36,519	65,477
Foreign exchange gains/ losses, net	-592	14,279
Other financial expenses	-2,698	-844
Total	-3,290	13,435

Since June 2010, the Company is involved in sanofi-avnetis cash-management structures, including also foreign exchange risk management performed by Sanofi-Aventis SA, France. The foreign exchange risk management comprises also transactions with derivatives. However, the derivatives do not meet the criteria to be classified as hedging. The total gain from derivative transactions was EUR 5 894 thousand in 2011 (EUR 7,893 thousand in 2010) and this gain is included within foreign exchange gains. At the end of financial year, all open derivatives were revalued to fair value, with revaluation gain of EUR 839 thousand (EUR 3,959 thousand in 2010).

5. Personnel expenses

<i>(in thousands of EUR)</i>	2011	2010
Personnel expenses	-76	5,888
Health insurance and social security expenses	73	1,048
Total	-3	6,936

The average number of employees was 17 in 2011 (2010: 305). As of 31.12.2011 the Company had 1 employee (2010: 329)

6. Income Taxes

Major components of income tax expense:

<i>(in thousands of EUR)</i>	2011	2010
Current income tax	1,155	5,708
Deferred income tax	1,360	1,058
Total	2,515	6,766
Tax receivable / (payable)	4,383	-2,393

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6. Income Taxes (continued)

A reconciliation of the actual income tax expense with the statutory income tax rate for the years ended 31 December 2011 and 2010 was as follows:

<i>(in thousands of EUR)</i>	2011	2010
Profit before tax	8,326	34,752
Statutory income tax rate at 19%	1,582	6,603
Adjustment of tax paid in previous years	-177	205
Permanent differences impact, net	1,110	-42
Total income tax expense	2,515	6,766

7. Property, Plant and Equipment

<i>(in thousands of EUR)</i>	Land and buildings	Machinery and equipment	Construction in progress	Total
Period ended 31 December 2010				
Opening net book value	11	1,147	-	1,158
Additions	-	348	-	348
Transfers	-1	1	-	-
Disposals	-7	-236	-	-243
Depreciation charge	-1	-704	-	-705
Closing net book value	2	556	-	558
Period ended 31 December 2011				
Opening net book value	2	556	-	558
Additions	-	-	-	-
Transfers	-	-	-	-
Disposals	-2	-517	-	-519
Depreciation charge	-	-39	-	-39
Closing net book value	0	0	-	0

<i>(in thousands of EUR)</i>	Land and buildings	Machinery and equipment	Construction in progress	Total
Period ended 31 December 2010				
Cost	2	2,992	-	2,994
Accumulated depreciation	-	-2,436	-	-2,436
Net book value	2	556	-	558
Period ended 31 December 2011				
Cost	0	0	-	0
Accumulated depreciation	-	0	-	0
Net book value	0	0	-	0

7. Property, Plant and Equipment (continued)

Property insurance

Property insurance is provided by Carraig Insurance Limited, Dublin, Ireland, as a part of the sanofi-aventis insurance program, covering property insurance and insurance against losses due to interruption of business operation, covering all risks related to physical losses and damages, which are specified in standard form used by the Company. The insurance covers also risk of floods and earthquakes. With the exceptions of lockouts, the insurance covers interest in all insured companies related to all real estate and personal properties, including property in phase of construction, assembly and installation.

Company assets are insured at replacement costs.

No property is pledged as security for loans.

8. Deferred Taxes

Deferred tax is calculated from all temporary differences, using the balance sheet approach. The statutory tax rate used to compute the amount is 19%, applicable from 1 January 2004.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax assets and liabilities affecting profit/loss for the period arise from the following items:

<i>(in thousands of EUR)</i>	31 December 2010	Recognized in the income statement and other comprehensive income*	31 December 2011
Deferred tax liabilities			
Difference between net book value of fixed assets for accounting and tax purposes	-9	9	-
Total	-9	9	-
Deferred tax receivables			
Adjustment to receivables	2,243	-1,222	1,021
Adjustment to inventories	1	47	48
Provisions for tax expense recognized for payment	65	-63	2
Other temporary differences	203	-132	71
Total	2,512	-1,370	1,142
Total net deferred tax liability/asset	2,503	1,361	1,142
Deferred tax (Note 6)			

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9. Inventory

<i>(in thousands of EUR)</i>	31 December 2011	31 December 2010
Merchandise	2,471	1,980
Material	-	-
Allowances	<u>-253</u>	<u>-7</u>
Total	<u>2,218</u>	<u>1,973</u>

<i>(in thousands of EUR)</i>	31 December 2011	31 December 2010
Allowance as at 1.1.	7	2445
Creation	253	7
Use	-	-
Release	<u>-7</u>	<u>-2 445</u>
Total	<u>253</u>	<u>7</u>

Allowance to inventories of EUR 253 thousand was created due to the revaluation of the goods to net realizable value, for damaged goods and for the goods after expiration date. No inventories are pledged as security for loans.

10. Trade and Other Receivables

<i>(in thousands of EUR)</i>	31 December 2011	31 December 2010
Trade receivables	128,975	202,449
Allowances	<u>-6,477</u>	<u>-8,122</u>
Trade receivables after allowance	122,498	194,327
Loans receivable (financing)	1,072	7,088
Advance payment received and other receivables	<u>4,392</u>	<u>16,838</u>
Total	<u>127,962</u>	<u>218,253</u>

<i>(in thousands of EUR)</i>	31 December 2011	31 December 2010
Allowance as at 1.1.	8,122	15,262
Additions	691	20,138
Use	-	-
Reversal	<u>-2,336</u>	<u>-27,278</u>
Allowance as at 31.12.	<u>6,477</u>	<u>8,122</u>

Trade receivables represent outstanding balances from both domestic and foreign customers. Receivables from domestic sales are denominated in local currencies, while receivables from foreign customers are denominated in foreign currencies.

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10. Trade and Other Receivables (continued)

The ageing analysis of trade receivables as of 31 December 2011 and 31 December 2010 is as follows:

	31 December 2011	31 December 2010
Due	84,597	151,877
Past due and not impaired		
less than 30 days	5,946	3,588
31 – 90 days	15,642	18,160
91 – 180 days	4,225	14,863
over 180 days	12,088	5,839
Total impaired receivables	122,498	194,327

Prepayments and other receivables represent mostly receivables from cash management (financing) of EUR 1,072 thousand (EUR 7,088 thousand in 2010 - Note 19) and tax receivable of EUR 4,383 thousand (in 2010: EUR 16,838 thousand) and deferred tax receivable of EUR 1,142 thousand (in 2010: EUR 2,503 thousand).

No receivables are pledged as collateral for loan.

Other short-term assets

<i>(in thousands of EUR)</i>	31 December 2011	31 December 2010
Financial bonuses	18,642	20,261
Revaluation of merchandise	-	-
Marketing and corporate services	-	145
Other	44	80
Total impaired receivables	18,686	20,486

Assets related to financial bonuses represents the portion of financial bonuses not yet invoiced; these bonuses are paid to the Company by manufacturing companies within the Zentiva group for sales of the merchandise (Note 19).

11. Cash and Cash Equivalents

<i>(in thousands of EUR)</i>	31 December 2011	31 December 2010
Cash on hand and in banks	801	10,210
Total	801	10,210

Cash in banks earns interest at floating rates based on the daily bank deposit rates.

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12. Share Capital

	31 December 2011		31 December 2010	
	Number	EUR '000	Number	EUR '000
Share capital				
Authorized , issued and fully paid ordinary shares at a nominal value of EUR 6,671.98 per share	1,000	6,672	1,000	6,672

13. Retained Earnings and Other Reserves

Retained earnings and other prior year reserves totaling EUR 57,891 thousand (as at 31 December 2010: EUR 52,079 thousand). Other funds include the legal reserve fund, other capital funds and gains/losses on ownership interests.

The legal reserve fund was established in accordance with the valid legislation to cover potential future losses and is not distributable. As at 31 December 2011, the fund amounted to EUR 1,335 thousand. (EUR 1,335 thousand as at 31 December 2010).

On 3 June 2010, the Annual General Meeting approved that the total 2010 net profit of EUR 27,986 thousand will be retained in retained earnings.

14. Trade and Other Liabilities

<i>(in thousands of EUR)</i>	31 December 2011	31 December 2010
Trade payables	62,540	108,506
Thereof : Due	62,085	107,782
After due date (within 1 year)	455	724
After due date (more than 1 year)	-	-
Liabilities from loans (financing)	26,973	83,015
Bonuses payable to customers	664	247
Other liabilities	-	-
Personnel and social security expenses	7	66
Total	90,184	191,834

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15. Provisions

<i>(in EUR thousands)</i>	31 December 2010	Use	Release	Additions	31 December 2011
Long-term provisions					
Employee benefits provision	-	-	-	-	-
Total long-term provisions	-	-	-	-	-
Short-term provisions					
Unused vacation and staff bonuses	568	568	-	13	13
Provision for tax duties in foreign countries	398	6	-	-	392
Total short-term provisions	966	574	-	13	405
Total provisions	966	574	-	13	405

The Company expects that the short-term provisions will be used in 2012. Provision for tax duties in foreign countries is created due to potential tax fines from in foreign countries (VAT) totaling EUR 392 thousand.

16. Cash Flows from Operating Activities

<i>(in EUR thousands)</i>	31 December 2011	31 December 2010
Profit before tax	8,326	34,752
Non-monetary items		
Depreciation of tangible fixed assets (Note 7)	39	705
Amortization of intangible fixed assets (Notes 8)	-	-
Movements in allowances	-1,339	-9,578
Receivable write-off	-	7
Movements in working capital		
Decrease / (increase) in inventory	-491	59,009
Decrease / (increase) in trade receivables and other receivables	85,916	-1,550
Decrease / (increase) in trade payables and other payables	-45,581	-80,641
Decrease / (increase) in provisions	-766	-7,893
Decrease / (increase) in other short-term assets	1,801	-3,971
Net cash flows from operating activities	47,905	-9,160

Note: Impact of cash pooling (Note 19) on financial flows is stated in Cash flow statement as item 'Expenditure on loans and income from loans granted by the company, or received from related party'.

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17. Contingent Liabilities

Operating lease obligations

<i>(in thousands of EUR)</i>	2011	2010
Up to one year	101	101
From 1 to 5 years	101	101
Over five years	-	-
Total	202	202
Lease payments reported in the income statement for the period	1	423

Bank guarantees

Guarantee to the benefit of	Guarantee amount	Guarantee provider	Purpose	Validity
Tmava Customs Authority	EUR 66 thousand	Citibank Europe plc. Bratislava	Customs debts	indefinite

18. Related Party Transactions

For the purposes of these financial statements, related parties are those persons where one person controls the other or exercises significant influence on the other person upon making decisions regarding financial or operational matters.

Amount of members income in the Company in 2010:

<i>(in thousands of EUR)</i>	2011	2010
Board of directors	0	0
Supervisory board	0	0
Total	0	0

The Group is controlled by Zentiva N.V, whose majority shareholder is sanofi-aventis S.A. A summary of transactions with the Zentiva N.V. group companies and sanofi group companies in the period under review and related party balances is as follows:

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18. Related Party Transactions (continued)

Inter-company sales and purchases

<i>(in thousands of EUR)</i>	Sales in 2011	Purchases in 2011	Sales in 2010	Purchases in 2010
Zentiva a.s. Hlohovec	334	162,983	6,614	174,047
Zentiva k.s. Praha	575	182,688	10,600	282,952
Zentiva Pharma o.o.o.Moskva	86,448	138	83,034	241
Zentiva N.V. Holandsko	-	-	-	201
Zentiva Group, a.s., Praha	-	1,307	-	2,380
Zentiva HU Kft. Budapešť	-	229	-	1,241
Sanofi Aventis Sp Zoo	40,820	2,290	87,937	4,773
Eczacibaşı Zentiva Saglik	654	2,674	1,206	2,378
Sanofi-Aventis Bulgaria eood	7,187	-	14,479	83
Sanofi-Aventis Ukraina LLC	17,341	112	18,210	3,151
Winthrop Pharm. Malaysia	-	-	29	-
Sanofi-Aventis Slovakia	51,311	2,814	92,946	1,366
Sanofi-Aventis SA, Francia	78	2,877	180	707
Sanofi-Aventis Romania	43,406	-	81,587	6,401
Sanofi-Aventis Private HU	3,126	-	11,687	164
Sanofi-Aventis Lithuanie	4,459	48	12,596	188
Sanofi-Aventis Kazachstan	5,756	-	8,336	-
Sanofi-Aventis CZ	126,652	-	176,160	-
Sanofi-Aventis Slovenia	44	-	-	-
Sanofi_Aventis Greece	729	-	-	-
Sanofi-Aventis Group Francia	114	-	-	-
Sanofi Winthrop Ind. Francia	-	529	-	335
Chinoin Hungary	-	719	-	709
Carraig Insurance LTD Ireland	-	62	-	85
Sanofi-Aventis Estonia	-	-	-	21
Sanofi-Aventis Lettonie	-	-	55	-
Zentiva SA Bukurešť	-	30,722	-	47,470

Inter-company trade receivables were as follows:

<i>(in thousands of EUR)</i>	31 December 2011	31 December 2010
Zentiva a.s., Hlohovec (vrátane fin. bonusov – pozn. 10)	9,499	10,207
Zentiva k.s., Praha (vrátane fin. bonusov – pozn. 10)	10,367	16,300
Zentiva Pharma Moskva	70,834	82,075
Zentiva SA Bukurešť	41	2
Zentiva Hungary	353	-
Sanofi-Aventis Sp ZOO- Poľsko	-	15,193
Sanofi-Aventis Slovakia	4,447	12,120
Sanofi-Aventis Romania	22,912	43,412
Sanofi-Aventis Private HU	-	1,275
Sanofi-Aventis Lithuanie	-	26
Sanofi-Aventis Lettonie	-	37
Sanofi-Aventis Kazachstan	313	723
Sanofi-Aventis Bulgaria	-	1,973
Sanofi-Aventis Group France	114	-
Sanofi-Aventis CZ	14,640	23,900
Carraig Insurance LTD Irleand	1	-
Winthrop Pharmaceutical Malaysia	-	29
Sanofi-Aventis Ukraina	1,307	1,237
Eczacibaşı Zentiva Saglik	333	844

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18. Related Party Transactions (continued)

Inter-company trade payables were as follows:

<i>(in thousands of EUR)</i>	31 December 2011	31 December 2010
Zentiva k.s. Praha	20,278	47,395
Zentiva a.s. Hlohovec	19,450	29,305
Zentiva Pharma Moscow	-	43
Zentiva PL Spolka. Z o.o Poland	-	-
Zentiva SA Bucharest	9,083	18,572
Sanofi-Aventis France	26,740	-
Eczacıbaşı Zentiva Saglik	799	-
Zentiva Group a.s., Praha	213	585
Sanofi-Aventis Ukraina	-	826
Sanofi-Aventis Sp ZOO Poľsko	8,583	1,611
Sanofi-Aventis Slovakia	180	347
Sanofi-Aventis Romania	1,669	6,737
Sanofi-Aventis Private HU	151	79
Sanofi-Aventis Lithuanie	1,239	1,066
Sanofi-Aventis Estonia	-	12
Sanofi-Aventis Bulgaria	120	29
Sanofi Winthrop Industries	81	14
Chinoin HU	154	142
Zentiva HU Kft. Budapest	-	302

Other receivables and payables in the consolidated Group

<i>(in thousands of EUR)</i>	31 December 2011	31 December 2010
Sanofi-Aventis SA France (cash pooling and management)	1,072	7,088
Total receivables	1,072	7,088
Zentiva a.s. Hlohovec	-	82 920
Sanofi-Aventis SA, Francia	26,973	95
Total payables	26,973	83,015

Other receivables and payables within consolidated group are receivables and payables from cash pooling.

Interest expenses (net) from cash management were EUR 367 thousand in 2011 (2010: interest expenses net EUR 1,021 thousand)

Zenith project

In 2011 a new project was introduced, in which the business model for the sale and distribution of finished products of the Zentiva Group companies is to be gradually changed. Within the framework of the project, the business model used by the Zentiva Group companies to date (the central business and distribution company is Slovak Zentiva International, a.s.) has been changed to the business model used within the Sanofi Group (the central business and distribution company is French Sanofi Winthrop Industries SA). This change has also resulted in significant adjustments to the structure of logistics and financial flows in the Company. The changes will be reflected mainly on the revenue side, in the form of the distribution of revenues to revenues from merchandise (fee for production functions and other resulting risks) and a license fee (fee for intellectual property of a given product). Taking into consideration the volume of finished products concerned and the technological and administrative demands of the project, changes have been introduced gradually in several phases since May 2011. The project will continue to be implemented in 2012. The termination of the project is estimated to be when the model has been completely changed for all products of the Zentiva Group, so the completion date has not yet been determined.

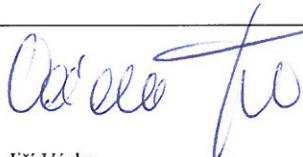


In this project, the company gradually transferred the sales of products to other retail units within the sanofi-aventis group for major sales territories such as Romania, Poland, Czech Republic and Slovakia.

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For this reason, it is expected in 2012, a significant decline in sales and profits. The company will continue to sell well in the territories of Russia, Baltic countries and other smaller territories. Therefore, there is not the existence of a threat.

23. Subsequent Events

Due to the changes in distribution channels within the sanofi-aventis group, the Company significantly curtailed its activities since 1.1.2012, as described in point 18.

Authorized for issue by:	Signature of accounting unit's statutory body:	Person responsible for financial statements (name, signature):	Person responsible for accounting (name, signature):
15.3.2012	 Ing. Jiří Vácha	 Ing. Pavel Novák	 Ing. Dana Gubalová