

ANNUAL REPORT 2013

ZENTIVA
SPOLOČNOSŤ SKUPINY SANOFI

**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 Shareholders of Zentiva, a.s.:

- I. We have audited the financial statements of Zentiva, a.s. ("the Company") as at 31 December 2013 presented in the annual report in Appendix 1. We issued the following audit report dated 19 March 2014 on the financial statements:

"Independent Auditors' Report

To the Shareholders of Zentiva, a. s.:

We have audited the accompanying financial statements of Zentiva, a.s. ('the Company'), which comprise the statement of financial position as at 31 December 2013 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements give a true and fair view of the financial position of the Company as at 31 December 2013, 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.

***19 March 2014
Bratislava, Slovak Republic***

***Ernst & Young Slovakia, spol. s r.o.
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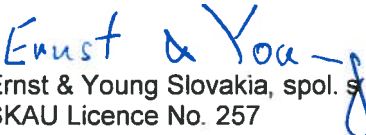
***Ing. Tomáš Přeček
UDVA Licence No. 1067"***

- 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 –19 is consistent with that contained in the audited financial statements as at 31 December 2013. 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 2013 in and are in accordance with the Act on Accounting No 431/2002 Z.z., as amended by later legislation.

28 April 2014
Bratislava, Slovak Republic


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Ing. Tomáš Přeček
UDVA Licence No. 1067

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Financial Statements and Auditor's Report for the Year Ended 31 December 2013	

About Zentiva

1

Business name: Zentiva, a.s.
Legal form: Joint-stock company
Registered office: Einsteinova 24
851 01 Bratislava
Registration no.: 31411771
Date of formation: 13 April 1992
Founder: National Property Fund of the SR, Bratislava, Drieňova 27

Organisational units abroad:none

Share capital: EUR 53,774,172.48
Shares issued:
Class: Ordinary shares with voting rights
Type: Bearer shares
Form: Book-entry only
Par value: EUR 33.19
Number of shares: 1,620,192 shares

Zentiva, a member of the Sanofi group, is an international leader which develops, produces and sells high-quality and reliable generic medicinal products at affordable prices, to improve and extend the lives of a growing number of patients in several countries.

In 2009, Zentiva was taken over by the international pharmaceutical company Sanofi, which decided to make Zentiva its European generic trade mark. Thus, Zentiva entered new markets, primarily in Western Europe, and linked two Western European trade marks in Winthrop and Helvepharm.

In 2011, the Company's management decided that activities in the field of generics in Europe would continue to be concentrated under the Zentiva brand and international operations of the Sanofi group, creating,

developing and launching the portfolio of future generic products, would continue to be managed from Zentiva Prague. Today, Zentiva markets its products to almost a billion people in 50 countries in Europe, Africa and the Middle East. It employs more than 6,000 people, of which 2,000 work in manufacturing, mostly in the Czech plant in Dolné Měcholupy. The importance of the Prague headquarters is increasing and it acts as headquarters of the management and central governing body of international affairs in the field of generics.

Today, Zentiva offers more than 450 products in 800 medicinal forms, ranking it among the largest generic portfolios in Europe. Products cover all the primary therapeutic areas, such as cardiovascular diseases, women's health products, respiratory conditions, inflammatory processes, diseases of the central nervous system, gastrointestinal and urinary diseases and analgesics. This product portfolio includes prescription and over-the-counter drugs, primarily used in the primary care sector.

The product portfolio of Zentiva a.s. includes prescription drugs primarily used in the primary care sector and over-the-counter drugs.

Key Figures

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Financial Data (in '000 EUR, unless indicated otherwise)	2013	2012
Sales	168,807	204,020
Gross profit	108,418	139,848
Earnings before interest and taxes	71,600	84,291
Earnings before taxes	71,308	83,658
Adjustments to assets due to sale	-	(254)
Income tax	(19,050)	(13,450)
Net profit	52,258	70,208
Basic earnings per ordinary share (EUR)	32.25	43.67
Investments	3,410	8,532
Number of employees as at 31 December (persons)	103	853
Indicators		
EBIT margin (earnings before interest and taxes) (%)	42.42	41.32
Net profit margin (%)	30.96	34.41

The financial data is cumulated for both continuing and discontinuing operations. The full IFRS Financial Statements, with a breakdown of financial data obtained from both the continuing and discontinuing operations, are included in an annex.

Information on Shareholders

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Shareholders' structure – as at 31 December 2013

	Number of shareholders	Share in registered capital		Share in voting rights	
		Number of shares	%	%	%
CORPORATE BODIES	19	1,603,797	98.99		98.99
Of which :					
Slovak corporate bodies	10	671	0.04		0.04
Foreign corporate bodies	9	1,603,126	98.95		98.95
INDIVIDUAL INVESTORS	6,063	16,395	1.01		1.01
Of which :					
Slovak investors	5,852	15,892	0.98		0.98
Foreign investors	211	503	0.03		0.03
TOTAL BEARER SHARES	6,082	1,620,192	100.00		100.00
Of which :					
Foreign corporate bodies and individual investors	220	1,603,629	98.98		98.98
TOTAL SHARES	6,082	1,620,192	100.00		100.00

Principal shareholders as at 31 December 2013	Number of shares	
	pcs	%
ZENTIVA N.V., Amsterdam, the Netherlands	1,602,000	98.88
Others	18,192	1.12
TOTAL	1,620,192	100.00

Bodies of the Joint-stock Company

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Board of Directors of the Joint-stock Company

Amer Khoury- Chairman of the Board of Directors
Blake Dark. – Member of the Board of Directors
Ing. Pavel Novák – Member of the Board of Directors

Supervisory Board

Mgr. Helena Kopková – Chairwoman of the Supervisory Board
Hermes Joffrey Martet – Member of the Supervisory Board
MUDr. Mojmír Krutý – Member of the Supervisory Board

Foreword by the Board of Directors

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In 2013, Zentiva fostered its strategy, focused on an increased availability of high-quality medicinal products, at affordable prices to more patients in all its territories. Despite the austerity measures applied by the Slovak government, the Sanofi group (comprised of Sanofi, Zentiva, Genzyme and Sanofi Pasteur) managed to maintain its leading position in the Slovak market. By number of delivered packages, the market share of the group represents around 25%, i.e., practically each fourth package dispensed to patients in Slovakia is made by Zentiva.

Currently, Zentiva has 406 products placed in the Slovak market, out of which 30% have the lowest co-payment of the patient and 140 of our products (nearly 35%) have the lowest price EU-wide. Our Company has continued to market new high-quality medicinal products at affordable prices for Slovak patients which promote enhanced healthcare standards. In 2013, Zentiva supplied nearly 28 million packages of medicinal products to Slovak patients and launched 12 new products in the Slovak market. In 2014, we plan to launch another 11 products.

Zentiva directs its investments back into Slovak healthcare. These fund the accredited training of physicians, pharmacists, medical and pharmaceutical interns and other health care professionals, patients and the public. We are also involved in primary and secondary preventative actions and projects in the area of Corporate Social Responsibility, through which we support hospitals, schools and socially disadvantaged groups.

Our aim will continue to be the provision of the widest possible patient access to modern, affordable medicinal products designed for the treatment of a broad range of chronic diseases. Our range includes prescription as well as over-the-counter medicinal products.

Zentiva in Slovakia will continue to focus on this important role and remain a partner of choice for physicians, offering them products with real value for their patients. Being a part of the Sanofi group enables us to provide a yet broader range of medicinal products, contribute to enhanced health care standards and support physicians, patients and clients.

Financial Report

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The success of 2013 represented a turnaround in performance. On 25 March 2013, Zentiva a.s. sold its industrial division in Hlohovec to Saneca Pharmaceuticals, a.s., which continues manufacturing and its production is distributed by Zentiva a.s. to Slovak and foreign markets through Sanofi companies.

About 14.1% of the Company's portfolio is sold in Slovakia. The remainder of production is exported through companies of the Sanofi Group, mostly to the Czech Republic, Poland, Russia, Romania, Ukraine and Bulgaria.

6.1. Income Statement

Pursuant to Section 17(a) of Act No. 431/2002 Coll., as amended, the Company has been obliged since 2008 to prepare its individual Financial Statements in accordance with the International Financial Reporting Standards, as adopted by the EU, and, therefore, the Statements and the Notes were prepared in accordance with those standards.

Sales

The Company's total sales decreased in 2013 by 16.43%, compared with 2012. Products were sold to external customers primarily through SWIND France and the domestic market was served through Sanofi aventis Slovakia.

Zenith project:

In 2011, a project commenced to change the trading model, hitherto used by the Zentiva group companies for sale and distribution of finished products, to that used within the Sanofi Group. This involved changing the central trading and distribution company from the Slovak Zentiva International, a.s., to the French Sanofi Winthrop Industries SA. As a result, logistical and financial flows in Zentiva, a.s. are subject to significant adjustments, mainly affecting the Company's division of earnings between sold goods (compensation for production functions and other resulting risks) and licence fee (compensation for intellectual property rights to the product concerned).

Due to the volume of finished products concerned and technical and administrative requirements related to the project, the changes were implemented in several stages from May 2011. The project was completed in March 2013, when a change in the business model was adopted, due to the sale of the manufacturing division. Since April 2013, the Company has been selling finished products directly to the distribution company Sanofi-Aventis Slovakia, s.r.o.

Top products of the Company in 2013 by sales:

	Therapeutic Category	Active Substance	Sales in 2013 in € '000	Sales in 2012 in € '000
Torvacard	Hypolipidemic agents	Atorvastatinum calcium	24,909	33,564
Lozap Zentiva	Hypotensive agents	Losartan potassium	13,363	24,143
Helicid	Antacids	Omeprazol	11,347	10,572
Pinosol	Otorhinolaryngol	Herbal	10,329	5,052
Anopyrin	Anticoagulants	Acidum acetylsalicum	7,107	5,887
Vitamin E	Vitamins	Tocoferoli alfa acetat	5,923	6,152
Coronal	Beta-blockers	Bisoprololi fumaras	5,721	8,060
Agapurín	Vasodilators	Pentoxifylline	5,378	4,365
Fokusin	Sympatholytics	Tamsulosini hydrochl.	4,912	6,492
Losartan	Hypotensive agents	Losartan potassium	2,891	10,670

Production costs

Production costs in 2013 reached EUR 60,389 thousand, a decrease of 5.89% on 2012 (EUR 64,172 thousand not considering the impairment provisions for assets held for sale). In 2013, the Company posted a gross profit of EUR 108,418 thousand, a decrease of 22.47% compared with 2012 (2012: EUR 139,848 thousand).

Other operating costs

Mainly by streamlining marketing and distribution costs, and practically sustaining the level of costs of the last year, the Company's other operating costs grew by only 3.9%. The same strategy of streamlining costs was applied to research and development costs.

General and administrative costs decreased by 64.6% compared to last year, mainly due to release of impairment provisions for non-current assets held for sale.

Earnings before interest and taxes

The Company's earnings before interest and taxes decreased by EUR 12,691 thousand to EUR 71,600 thousand compared with EUR 84,291 thousand in 2012.

Financial costs

Financial activities included FX trade surplus of EUR 169 thousand (2012: EUR -528 thousand).
In 2013, the Company posted net interest revenues of EUR 70 thousand (2012: EUR 427 thousand).

Earnings before taxes

The Company's earnings before taxes of EUR 71,308 thousand were lower by 15.18% in 2013 compared with 2012 (2012: EUR 84,073 thousand) and 902.1% higher compared with 2011 (2011: EUR 7,145 thousand).

Impairment provisions for assets held for sale

On the basis of the majority shareholder's decision made in 2011, the Company created an impairment provision for the assets potentially held for sale of EUR 69,714 thousand in accordance with IFRS 5. In 2012, based on the actual status of the deal, the Company posted a further allocation to the impairment provision of EUR 254 thousand. In 2013, the provision was released due to successful sale of the business division.

Income tax

In 2013, tax costs of the Company totalled EUR 19,050 thousand (2012: EUR 13,450 thousand), taking into account the special business levy. The effective tax rates in 2013 and 2012 were 23.28% and 16.09% respectively.

Net profit

Compared with 2012, the Company's net profit in 2013 decreased by 25.57% to EUR 52,258 thousand (2012: EUR 70,208 thousand).

Net profit margin in 2013 decreased to 31.96% (2012: 34.41%).

6.2. Profit Distribution Proposal

The Board of Directors proposed the following profit distribution for 2013:

Net profit posted in 2013 amounted to EUR 52,258 thousand, of which EUR 52,251 thousand is proposed to be paid as dividends, i.e., EUR 32.25 per share.

6.3. Balance Sheet

Investments in tangible and intangible assets

In 2013, the Company invested EUR 3,410 thousand in tangible assets. The investments were mainly used for reconstruction, with the aim of enhancing the effectiveness of manufacturing processes, improving working conditions and enhancing environmental protection.

The biggest investments included:

- Steam boiler
- Cameras for packaging lines 1,6 and 7
- IT system replication
- Replacement of heating source of the VVZ reactor
- Standardization of the SDF packing blister sizes
- Upgrade of the CS encapsulation machine

In 2013, the Company placed in service assets of EUR 3,999 thousand.

Trade and other receivables

Trade other receivables remained unchanged in 2013 (EUR 146,331 thousand), compared with 2012 (EUR 146,822 thousand). Net receivables within the consolidated entity (from cash pooling and cash management) as at 31 December 2013 amount to EUR 75,823 thousand, of which 75,816 thousand represents the line of credit and EUR 7 thousand represent guarantees (2012: EUR 63,243 thousand (of which EUR 63,172 represents the line of credit and EUR 71 thousand represents guarantees) and receivables from deferred income of EUR 52,917 thousand (2012: EUR 81,757 thousand).

Since October 2004, the Company has participated in the cash-pooling structure of the Zentiva group. The Company was the holder of the master account of the cash-pooling structure in the Slovak Republic. In 2005, the Zentiva group companies set up cash-pooling structures at Citibank a.s. Praha for the following currencies: CZK, USD and EUR. The holder of the master accounts was Zentiva a.s. Praha, replaced by Zentiva N.V., Amsterdam at the beginning of 2006.

Given the fact that the companies participating in the cash-pooling structures of the Zentiva group stopped using these structures upon revision of the market deposit conditions, Zentiva a.s. Hlohovec selected the best option of appreciating funds and concluded a cash management agreement with Sanofi-Aventis SA France on 28 February 2011.

The Group recognizes receivables and payables within cash management structures of Sanofi-Aventis as other short-term receivables or payables.

(Net) interest revenues within cash management structures in 2013 were EUR 70 thousand (2012: EUR 426 thousand).

In 2013, the Company duly paid up all its payables to government authorities and banks.

Long-term provisions

The provision for environmental activities was subject of the sale of the industrial division to Saneca Pharmaceutical a.s. Hlohovec of EUR 9,909 thousand as at 25 March 2013.

Provision for demolition works

Based on a qualified estimate, the Company created a provision for demolition of buildings during the years 2012 to 2015. The Company created a provision for disassembly and related expenses (disassembly of property) of EUR 860 thousand in 2011. The balance of the provision as at 31 December 2012 was EUR 782 thousand. In 2013, the rest of the provision was fully released.

Revenue commitment provision

In 2012, the Company created a provision of EUR 6,966 thousand, representing the obligation of Zentiva a.s. to cover potential financial losses from production not taken over. This represents the difference between the minimum orders defined in sales contracts and the expected sales (of the Sanofi Group), according to the business plan for the next three years from the moment the conditions precedent are met. In 2013, the Company revalued the provision to EUR 6,944 thousand. The initial use of the provision is estimated to be in 2014.

Short-term payables

The decrease in short-term payables in 2013 compared with 2012 is related to the decrease in liabilities from short-term provisions, i.e., the provision for unpaid bonuses and accumulated leave by EUR 3,687 thousand and for sold liabilities by EUR 21,668 thousand.

6.4. Cash Flow Summary

Net cash flows from operations

In 2013, the Company generated net cash flow of EUR 71,680 thousand (2012: EUR 17,012 thousand) from its primary business operations, mainly from the Company's profit.

Net cash flows from investments

Net cash flows from investments amounted to EUR 10,174 thousand in 2013 (2012: EUR -7,963 thousand). The most significant item was proceeds from sale of manufacturing plant in Hlohovec in total of EUR 10,194 thousand.

Net cash flows from financing activities

Net cash flow from financing activities totalled EUR -82,249 thousand in 2013 (2012: EUR -9,168 thousand). Disbursement of dividends of EUR 69,669 thousand (2012: EUR 111,793 thousand) was the major item under this caption.

Lawsuits

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Lawsuits filed by the Company:

In 2013, the Company did not file any applications for issuing orders to pay, or rulings which could have a significant effect on the financial standing of the Company.

Lawsuits filed against the Company:

Re. Sika vs. Zentiva, a.s. Hlohovec for payment of EUR 96,257 (i.e. SKK 2,899,825) and related interest and fees on the grounds of incorrect wage categorization.

Ing. Šnupárek and Ing. Ratkovská, CSc. vs. Zentiva, a.s. Hlohovec for payment of EUR 130 thousand on the grounds of fees claimed by the co-inventors of a product.

Based on legal opinions that it has obtained, the Company's management is convinced that the Company will not incur any significant losses in relation to these pending lawsuits.

Environment, Safety and Health Protection

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Zentiva a.s. has considered the areas of health and safety of its employees as well as environmental protection to be matters of prime importance. The Company created a HSE management system (H - health, S - safety, E - environment, which covers HSE policies, standards, regulations and guidelines. All of the activities of the Company and its individual employees have to be aligned with these requirements and comply with the effective local regulations.

In 2013, the Company conducted an internal audit focused on prioritising the individual HSE areas, and compliance with the internal guidelines as well as local statutory provisions, thus enabling insight of the top management into the application of HSE processes across the Company.

The audit identified best practices to be applied in other branches.

A positive rating of the auditors was received by:

- Interest, support and engagement of the management in processes and actions
- Training and materials for new hires
- Ergonomics of the workstations and premises as well as engagement in the field of IS security, facility management and fire prevention

To enhance health and safety at work, there was a Health and Safety Week project implemented in 2013, which focused on:

- Health checks for employees (blood pressure, pulse, fat, glucose and cholesterol)
- Practical presentations in operating a defibrillator and first aid basics
- Video presentations – ecological and safe driving
- Practical presentations of correct PC work posture
- Practical presentations on how to relax your muscles when working by a PC
- Presentation of the outcomes of the Wellness and Prevention Survey

The Company also fostered waste sorting in the offices by placing special sorting bins for paper and plastics in the offices.

Based on the audit and other analyses performed, the Company's main focus in 2013 was finding solutions to the following issues:

- Enhancing the safety awareness of its employees
- Safety of external vendors
- Enhancement of the safety of technological equipment
- Occupational health
- Energy saving
- Enhancement of the level of environmental protection
- Enhancement of fire safety
- Protection of ground water
- Disposal of old environmental loads
- Ergonomics and physical workload
- Enhancement of road safety
- Ecological driving

The Company implemented the individual actions throughout 2013; many of them will be continued in 2014.

Employees

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Human Resources

As at 31 December 2013, Zentiva, a.s. had 103 employees. Compared to last year, this is a significant decrease resulting from the sale of the manufacturing plant in Hlohovec to Wood Pharma Holding. The new owner took over a part of the business activities of Zentiva including manufacturing, packaging and distribution of active pharmaceutical substances and medicinal products.

The sale transaction included transfer of manufacturing technology, employees and selected trademarks. Zentiva and Wood Pharma Holding also concluded a Memorandum of Understanding covering the purchase of medicinal products and active pharmaceutical substances produced by Wood Pharma Holding in Hlohovec over the next five years.

The transaction aimed to set up a stable situation in the plant in Hlohovec and to open new possibilities for the existing employees, while retaining the availability of high-quality medicinal products produced in this plant.

Wages and Other Benefits

In 2013, Zentiva a. s. provided its employees with a wide range of social benefits in both monetary and non-monetary form. The most important employee benefits included life insurance, supplementary pension saving, meal allowances and the flex allowance from the social fund.

Employee Training and Development

In 2013, the Company put a strong emphasis on development programmes fostering the effectiveness of work and employee satisfaction, both in the area of LEAN management, change management etc. In development programmes, the Company focused on work life balance via its Work Life Balance Program.

the 1990s, the number of people in the UK who are aged 65 and over has increased from 10.5 million to 13.5 million (15.5% of the population).

There is a growing awareness of the need to address the needs of older people, and the Government has set out a strategy for the 21st century in the White Paper on *Ageing Better: The Government's Strategy for Older People* (Department of Health 1999). This sets out a vision of a society in which older people are able to live well, and to contribute to society.

The White Paper sets out a number of key objectives, including: to improve the health and well-being of older people; to support older people to live independently; to ensure that older people are able to contribute to society; and to ensure that older people are protected from abuse and neglect. The White Paper also sets out a number of key actions to be taken to achieve these objectives.

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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 financial statements give a true and fair view of the financial position of the Company as at 31 December 2013, 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.

19 March 2014
Bratislava, Slovak Republic


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


Ing. Tomáš Přeček
UDVA Licence No. 1067

Zentiva, a. s.

**Financial Statements
for the Year Ended 31 December 2013**

Prepared in Accordance with International Financial Reporting Standards

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Zentiva, a.s.
Financial Statements for the Year Ended 31 December 2013

Income Statement

<i>(in thousands of EUR)</i>	Note	2013	2012
Continuing operations			
Sales	4	166,351	186,216
Production costs		-58,595	-50,229
Gross profit		107,756	135,987
Marketing expenses	4	-27,311	-25,957
Administrative expenses	4	-9,004	-14,096
Research and development expenses		-332	-242
Impairment loss recognised on the remeasurement to fair value less costs to sell	10	552	-254
Profit before tax and financial expenses		71,661	95,438
Interest income		70	427
Finance income, net		-362	-1,060
Loss/Profit from financial activities		-292	-633
Profit before tax from continuing operations		71,369	94,805
Income tax	5	-19,050	-13,450
Profit for the year from continuing operations		52,319	81,355
Discontinued operations			
Profit/Loss after tax for the year from discontinued operations	10	-61	-11,147
Profit for the year			70,208
Attributable to:			
Equity holders of the parent		51,673	69,380
Non-controlling interests		585	828
		52,258	70,208

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements.

Zentiva, a.s.
Financial Statements for the Year Ended 31 December 2013

Statement of Comprehensive Income

<i>(in thousands of EUR)</i>	2013	2012
Net profit for the year	52,258	70,208
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Re-measurement gains (losses) on defined benefit plans	170	-206
Income tax effect	-39	47
Change in tax rate	2	12
Other comprehensive income for the year, net of tax	133	-147
Total comprehensive income for the period	52,391	70,061
Attributable to:		
Equity holders of the parent	51,804	69,234
Non-controlling interests	587	827
	52,391	70,061

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements

Zentiva, a.s.
Financial Statements for the Year Ended 31 December 2013

Balance Sheet

<i>(in thousands of EUR)</i>	Note	31 December 2013	31 December 2012
Assets			
Non-current assets:			
Property, plant and equipment	6	109	140
Intangible assets	7	2,986	3,932
Financial assets	8	92	92
Deferred tax asset	9	1,828	15,305
Total non-current assets		5,015	19,469
Current assets			
Inventory	11	-	1,144
Trade receivables	12	12,044	11,707
Receivables from cash pooling and cash management and other receivables	13	130,551	146,822
Income tax		15,780	
Cash and cash equivalents	14	-	-
Assets classified as held for sale	10		28,128
Total current assets		158,375	187,801
Total assets		163,390	207,270
Liabilities and shareholders' equity			
Equity:			
Share capital	15	53,774	53,774
Share premium	15	25,738	25,738
Retained earnings and other funds	16	66,703	83,918
Total shareholders' equity		146,215	163,430
Non-current liabilities			
Long-term provisions	18	7,092	7,556
Total non-current liabilities		7,092	7,556
Current liabilities			
Trade and other liabilities	17	8,861	9,376
Short-term provisions	18	1,222	4,909
Income tax payable		-	331
Liabilities directly associated with the assets classified as held for sale	10	-	21,668
Total current liabilities		10,083	36,284
Total liabilities and shareholders' equity		163,390	207,270

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements.

Zentiva, a.s.
Financial Statements for the Year Ended 31 December 2013

Statement of Cash Flows

<i>(in thousands of EUR)</i>	Note	2013	2012
Cash flows from operating activities	19	93,038	34,189
Income tax paid		-21,297	- 17,177
Net cash flows from operating activities		71,741	17,012
Cash flows used in investing activities			
Purchase of property, plant and equipment		-20	- 8,286
Proceeds from disposal of property, plant and equipment		-	323
Proceeds from the sale of manufacturing facility in Hlohovec	10	10,194	-
Net cash flows used in investing activities		10,174	-7,963
Cash flows used in financing activities			
Dividends paid		-69,669	-111,793
Cash inflow/outflow from loans provided to related party (cash-pooling/cash management)		-12,580	102,394
Other		-	231
Net cash flows used in financing activities		-82,249	-9,168
Net increase/decrease in cash and cash equivalents		-334	-119
Cash and cash equivalents at beginning of period	14	334	453
Cash and cash equivalents at end of period	14	-	334

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements

Statement of Changes in Shareholders' Equity

<i>(in thousands of EUR)</i>	Share capital	Share premium	Retained earnings and other funds	Total
Balance as at 31 December 2011	53,774	25,738	126,594	206,106
Profit / loss from Revision of IAS 19	-	-	-1,196	-1,196
Net profit for 2012	-	-	70,208	70,208
Other comprehensive income	-	-	-147	-147
Total comprehensive income	-	-	70,061	70,061
Dividends	-	-	-111,793	-111,793
Options and Share Plans	-	-	252	252
Balance as at 31 December 2012	53,774	25,738	83,918	163,430
Net profit for 2013	-	-	52,258	52,258
Other comprehensive income	-	-	133	133
Total comprehensive income	-	-	52,391	52,391
Dividends	-	-	-69,669	-69,669
Options and Share Plans	-	-	63	63
Balance as at 31 December 2013	53,774	25,378	66,703	146,215

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements.

Zentiva, a.s.

Financial Statements for the Year Ended 31 December 2013

1. Corporate Information

Zentiva, a.s. (“Zentiva” or “the Company”), formerly Slovakofarma, a.s., was incorporated as a joint-stock company under the laws of the Slovak Republic on 13 April 1992. The Company majority shareholder is ZENTIVA N.V., with its registered office at Fred.Roeskestraat 1231, HG EE Amsterdam, the Netherlands, whose majority shareholder is Sanofi. The Company is included in the consolidated financial statements prepared for all Group members by Sanofi, with its registered office at 54 Rue la Boétie, 75008 Paris, France.

Company shareholders

Shareholders of the Company as at 31 December 2013:

	No. of shares	In thousands of EUR	In %
ZENTIVA N.V., Amsterdam	1,602,000	53,170	98.88
Other	18,192	604	1.12
TOTAL	1,620,192	53,774	100.00

The Company is a private joint-stock company. The Company is not a partner with unlimited liability in any entity.

The Zentiva group (“the Group”) is primarily engaged in the production and wholesaling of pharmaceuticals and chemical products in the Slovak and Czech Republic and other foreign markets.

Company’s registered office:

Zentiva, a.s.
Einsteinova 24
851 01 Bratislava
Slovak Republic

Business registration No.: 31 411 771
Tax registration No.: SK 2020394970
Legal form: joint-stock company
Date of incorporation: 1 May 1992

During the year 2013 the Company has 293 employees on average (2012: 863 employees), the number of employees as at 31 December 2013 there was 103 employees (as at 31 December 2012: 853), 12 of which were management (31 December 2012: 112 managers).

Date of authorization of the previous financial statements

The financial statements of the Company for the prior period as at 31 December 2012 were approved by the General Meeting of shareholders on 18 June 2013.

Board of Directors of the Company

Amer Khoury - Chairman of the Board of Directors since 28 July 2012
Blake Dark. - Member of the Board of Directors since 28 July 2012
Ing. Pavel Novák - Member of the Board of Directors since 17 May 2012

Supervisory Board

Mgr. Helena Kopková – Chairwoman of the Supervisory Board since 29 June 2011
Hermes Joffrey Martet – Member of the Supervisory Board since 29 June 2011
MUDr. Mojmir Krutný – Member of the Supervisory Board since 23 July 2013

Statutory auditor

ERNST & YOUNG Slovakia, spol. s r.o., with its registered office at Hodžovo námestie 1 A, 811 06 Bratislava, SKAU license No. 257, acting as the Company’s statutory auditor. The statutory auditor’s fee for 2013 was EUR 48 thousand (2012: EUR 78 thousand).

2. Summary of Significant Accounting Policies

a) Basis of preparation and accounting

Pursuant to the Act on Accounting, from 1 January 2008 the Company prepares financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). At this particular time, due to the endorsement process of the EU, and the activities of the Group, there is no difference in the policies applied by the Company between IFRS and IFRS as adopted by the EU.

The accompanying financial statements were prepared in accordance with IFRS and all applicable IFRSs adopted by the EU. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and by the International Financial Reporting Interpretations Committee ("IFRIC").

Financial statements were prepared on a going-concern basis and on a historical cost basis and cover the 12 months from 1 January 2013 to 31 December 2013.

The amounts in the financial statements are presented in thousands of euro ("in thousands of EUR").

b) Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent liabilities reported at the end of the period and the reported amounts of revenues and expenses for that period. Although accounting judgments, estimates and assumptions were used to the best knowledge of the Company's management in respect of current events and circumstances, actual results may differ from these estimates.

In the process of applying the adopted accounting policies, management has made certain judgments, estimates and assumptions which have a significant effect on the amounts recognized in the financial statements (apart from those involving estimates, which are dealt with below).

Deferred tax

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. For more details, refer to Note 9.

Calculation of deferred tax asset of the Group is based on the assumption that taxable profit will be available against which the deferred tax would be utilized. This assumption can be shown as inadequate in case of decline in taxable profits.

Provision for liabilities arising from the contracts

Following the contracts on future co-operation, including purchase of pharmaceuticals and active substance to be produced by Saneca Pharmaceuticals, a.s., the Company has obligation to compensate any loss resulting from purchased quantities being lower than agreed in the contract. As a result, the Company has recognised a provision of EUR 6,944 thousand as at 31 December 2013 (EUR 6,966 thousand as at 31 December 2012), which represent the estimation of difference between the minimum value of purchase orders defined in the contract with the purchaser; in comparison with the sales forecast of the Group for the period of three years following the sale of part of the business.

Employee benefits

In compliance with the Collective Trade Union Agreement entered into for 2012, the Company is obliged to pay its employees on retirement, including early retirement or disability, a multiple of their average monthly salary of up to nine average salaries.

The minimum requirement of the Labor Code of one-month average salary payment on retirement is included in the above multiples. The minimum requirement stipulated in the Labour Code requesting payment of one month's average salary on retirement or disability pension is already included in the above sums. Said obligation shall not apply to employees of the commercial department of a company, in which case leaving allowance shall be proceeded pursuant to the Labour Code, i.e., upon the first retirement or disability pension payment, the employer is obliged to pay an amount equal to one month's average salary.

An identical or similar obligation has been included in the Collective Bargaining Agreements since 2007, while the business department of the company proceeded since 2011 only in the intentions of the Labour Code. The divestment of the industrial part of the Company in 2013 from the point of view of the collective industrial/labour relations meant the termination of both the existence of a trade union and the Institute of Collective Agreement. From 26 March 2013, the leaving allowance will be provided only within the limits of the Labour Code and at the moment the reviewal of this procedure is not expected.

The related liability is recognized using the incremental actuarial method, with adjustments for actuarial gains and losses and past service cost. The liability is calculated annually by independent actuaries. The present value of the liability is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating to the terms of the related liability. For details, see Note 18.

c) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended IFRS and IFRIC interpretations:

- IFRS 1 First-time Adoption of International Financial Reporting Standards - Government loans with a below-market rate of interest
- IFRS 7 Financial Instruments: Disclosures - Amendment enhancing disclosures about offsetting of financial assets and financial liabilities
- IFRS 13 Fair Value Measurement
- IAS 1 Presentation of Financial Statements - Amendment on revision of presentation of comprehensive income
- IAS 12 Income taxes - Amendment on measurement of deferred tax asset and liability for investment property measured using fair value model in IAS 40
- IAS 19 Employee Benefits - Complex revision of the standard
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- Annual improvements to IFRSs (issued in May 2012)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

IAS 1 Presentation of Financial Statements

The amendment to IAS 1 changes the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. Application of the amendment had only presentation impact on the financial statements of the Company

IAS 19 Employee Benefits

These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Past service costs are recognised when the plan amendment or curtailment occurs. Prior to the amendment, past service costs were recognised as an expense on a straight-line basis over the average period until the benefits become vested. The impact of these amendments on the consolidated financial statements has been as follows:

In the financial statements of the Company as at 31 December 2013, these amendments resulted in decrease in equity as at 1 January 2012 of EUR 1,477 thousand with the respective increase in liabilities. Resulting deferred tax increased equity by EUR 281 thousand with a respective increase in the deferred tax asset. The Company derecognized past service costs related to 31 December 2012 of EUR 226 thousand (EUR 174 thousand after tax).

As of date of approval these financial statements the following standards and interpretation have been published but not effective:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Consolidated and Separate Financial Statements - Complex revision of the standard under new name: IAS 27 - Separate Financial Statements
- IAS 28 Investments in Associates - Complex revision of the standard under new name: IAS 28 - Investments in Associates and Joint Ventures

Application of these standards, amendments and interpretations did not affect the Financial Statements of the Company.

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) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the statement of comprehensive income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

g) Property, plant and equipment

Property, plant and equipment are stated at cost or production cost less accumulated depreciation and any impairment in value (other than required by IFRS 5 explained in note 2 Basis of preparation of financial statements). Production costs for self-constructed assets include cost of materials, direct labour and an appropriate proportion of production overheads.

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
Buildings and structures	15 - 45
Machinery and equipment	4 - 20
Vehicles	8 - 20
Small tangible assets	2 - 20

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.

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 20 years from the date they were put in use.

Development expenditure incurred on an individual project is capitalized when its future recoverability can reasonably be regarded as assured. In the event that this is not the case, development expenditure is expensed as incurred. Any expenditure capitalized is amortized over the period of expected future sales from the related project.

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 whichever is the lower of cost and net realizable value, as follows:

Raw materials:	Standard cost; differences between standard cost and actual acquisition cost are recognized through standard cost variances.
Work-in-progress:	Cost of direct materials and labour and an allocation of production overheads based on normal operating capacity, but excluding borrowing costs.
Finished products:	Cost of direct materials and labour and an allocation of manufacturing overheads based on normal operating capacity, but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

j) Impairment of non-financial assets

The carrying amounts of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may exceed the estimated recoverable amount. If there is an indication that an asset may be impaired and if the carrying amount of an asset exceeds its estimated recoverable amount, assets or cash-generating units are written down to their recoverable value. The recoverable amount is whichever is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. The

recoverable value of an asset that does not generate cash inflows that are largely independent of those from other assets is determined for the whole cash-generating unit to which the asset pertains. Any impairment losses are recognized in the income statement.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

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

From 28 February 2011, the Company has been involved in the Sanofi 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) Financial assets available for sale

Financial assets available for sale are those non-derivative financial assets that are designated as available-for-sale or are classified as neither held-to-maturity investments, loans and receivables, nor financial assets at fair value through profit or loss. After initial measurement, available-for-sale financial assets are measured at fair value, with unrealized gains or losses being recognized in equity in the fair valuation reserve. When the investment is derecognized, the cumulative gain or loss previously recorded in equity is recognized in the income statement.

Financial assets available for sale are classified as long-term if the Company does not expect to sell them within twelve months of the reporting date or if there is no need to sell them to obtain operating capital.

n) Accounts receivable

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

o) Cash and cash equivalents

Cash and cash equivalents comprise cash in bank, cash in 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.

Zentiva a.s. Hlohovec concluded a contract for cash management with Sanofi-Aventis SA France on 28 February 2011.

Receivables and liabilities within Sanofi cash-management structures are presented within other short-term receivables and current liabilities. For the purposes of cash flow statement, the change in these receivables and liabilities are presented within cash flow from financial activities.

p) 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.

q) Trade payables

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

Dividends due are recognized when the shareholders' right to receive payment is established.

r) 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.

s) Revenues

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.

t) 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.

u) Employee benefits

The Company uses an unfunded defined benefit plan. Actuarial techniques are used to measure the obligation and those obligations are measured on a discounted basis. Gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans. Actuarial gains or losses are recognized immediately if not significant. The past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, past service cost is recognized immediately. The Company applies the policy to recognize all actuarial gains and losses in the period in which they occur outside of profit or loss in other comprehensive income, i.e. through equity.

v) Share based payments

Some of the company's employees are involved in the Sanofi equity and option plan scheme granted by the Sanofi parent company.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

w) Assets Retirement Obligation

Obligations for dismantlement, removal and restoration of assets relate to future costs associated with the dismantling and removal from use of property and equipment. The amount of initially recognized liability for dismantlement, removal and restoration of assets is considered an element of cost of property and equipment in accordance with IAS 16 in the period in which the liability is recognized. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the estimated useful life of the related property and equipment. Adjustments due to estimated future costs or change in the discount rate are added or deducted from the assets value. The addition in the provision due to reduction in the discount is recognised as interest expense on an accrual basis.

x) Contingencies

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

3. Financial Risk Management

Fair value of financial instruments

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

As at 31 December, financial assets available for sale are measured at fair value. An estimate of the fair value is made by reference to the current market value of another investment which is substantially the same. Where there are no quoted market prices in active markets for the entity's investments and it is impossible to make a reliable estimate of the fair value in a different way, the investments are recorded at historical cost less any impairment loss.

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 programme focuses on unpredictable events on financial markets and aims to minimize potentially unfavourable effects on financial performance of the entity. Risks are managed centrally at the Sanofi level.

Foreign currency risk

The functional currency of the Company is euro, which is the currency of the country that is decisive for the regulatory environment wherein the Company operates, and the currency that influences labour 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. Through entry into the Sanofi cash-management structures in June 2010, the foreign currency risk is managed 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. The Company provides for all trade receivables (including prepayments paid and estimated receivables) and payables (including provisions, estimated payables and prepayments received) in selected foreign currencies. The foreign currencies selected include those with a planned annual turnover equal or higher than EUR 1,000 thousand.

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. The received loans are interest-bearing with floating interest rates.

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 2013

Base rate	Effect on profit before tax (in thousands of EUR)	
	Increase by 25 basis points	Increase by 25 basis points
EURIBOR	149	-149

As at 31 December 2012

Base rate	Effect on profit before tax (in thousands of EUR)	
	Increase by 25 basis points	Increase by 25 basis points
EURIBOR	159	-159

3. Financial risk management (continued)**Credit risk**

The Company is not exposed to significant concentrations of credit risk. In line with the internal policies and procedures, the Company sells its products and services only to customers with an appropriate credit history. The Company performs monetary transactions only with highly creditworthy financial institutions as counterparties. The policy is to keep its dependence on any financial institution as low as possible.

The maximum related credit exposure of the Company equals the carrying amount of receivables listed in Note 12.

In connection with the acquisition of the Zentiva group by Sanofi in 2009, the structure of customers of the accounting unit has changed. In 2013, 99 percent of total sales for goods and services were taken within the Sanofi group (1 percent to external customers). In 2012, 96 percent of total sales for goods and services was taken within the Sanofi group (4 percent to external customers).

Liquidity risk

The Treasury Department's objective is to maintain a balance between continuity of funding and flexibility through the use of a sufficient number of credit lines and participation in the Sanofi cash-management structures. Due to the dynamic nature of the business activities of the accounting unit (and its parent company), the Treasury Department seeks to ensure flexibility by participation in Sanofi Cash Management Structures. Since the beginning of 2012, it is fully oriented toward Sanofi Cash Management, in the face of the current existence 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 2013 (in thousands of EUR)	On demand / Within maturity	Less than 3 months	3 to 12 months	1 to 5 years	Total
Úročené úvery a pôžičky (poznámka 14,18)	169	-	-	-	169
Trade and Other liabilities (Note 17)	-	8,273	-	-	8,273
Year ended 31 December 2012 (in thousands of EUR)	On demand / Within maturity	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade and Other liabilities (Note 17)	332	16,532	-	139	17,003

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.

3. Financial risk management (continued)**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)	
	2013	2012	2013	2012
Cash and cash equivalents	-	334	-	334
Trade receivables	12 044	11,707	12 044	11,707
Trade payables and other payables	8 811	9,376	8 811	9,376
Receivables from cash pooling, cash management and other receivables	146 331	146,822	146 331	146,822

For financial instruments with maturity date 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 date over one year is estimated by discounting future cash flows using the prevailing interest rates (as at 31 December 2013 the Company had no financial instruments with maturity date over one year except for liabilities from social fund).

Notes to Financial Statements

4. Revenues and Expenses

Revenues

<i>(in thousands of EUR)</i>	2013	2012
Revenues from sales of finished goods and merchandise	156,537	178,901
Marketing sales	9,814	7,315
Total	166,351	186,216

Marketing expenses

<i>(in thousands of EUR)</i>	2013	2012
Personnel expenses	4,024	3,857
Depreciation	18	3
Repairs and maintenance	19	10
Intercompany marketing expenses	13,325	13,067
Licence fees	3,250	2,814
Marketing (third party) and other services	6,675	6,206
Total	27,311	25,957

Administrative expenses

<i>(in thousands of EUR)</i>	2013	2012
Personnel expenses	326	199
Depreciation	42	24
Repairs and maintenance	3	2
Corporate expenses	7,137	6,363
Creation of provisions and liabilities resulting from contracts	577	6,966
Other expenses	919	542
Total	9,004	14,096

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5. Income Taxes

Major components of income tax expense:

<i>(in thousands of EUR)</i>	2013	2012
Current income tax		
Tax for current period	5,608	15,576
Tax for previous years recognised in the income statement	3	-170
Deferred income tax		
Origination and reversal of temporary differences	13,439	-1,956
Total	19,050	13,450

In accordance with the valid legislation as at 31 December 2013 the Group applied the tax rate of 23% for income tax calculation (19% in the year 2012) and 22% for deferred tax calculation (23% in the year 2012).

Below is a reconciliation of theoretical income tax expense calculated using the statutory tax rate and profit before tax as reported in these financial statements to the actual income tax expense for the years ended as at 31 December:

<i>(in thousands of EUR)</i>	2013	2012
Profit before tax from continuing operations	71,369	94,805
Loss before tax from discontinuing operations	-61	-11,147
Profit before tax	71,308	83,658
Statutory income tax rate (2013 at 23%; 2012 at 19%)	16,401	15,895
Effect of change in statutory tax rate	81	-2,006
Adjustment of tax paid in previous years	3	-170
Special levy of the entities operating in the regulated industries	3,059	8
Permanent differences impact, net	-494	-277
Tax expense	19,050	13,450
Income tax expense reported in the income statement (continuing operations)	19,050	13,450
Income tax expense attributable to discontinued operations	-	-
Tax expense	19,050	13,450

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6. Property, Plant and Equipment

(in thousands of EUR)

	Land and buildings	Machinery and equipment	Construction in progress	Total
Period ended 31 December 2012				
Opening net book value	15	93	-	108
Additions	376	2,288	1,576	4,240
Transfers	134	724	-858	-
Disposals	-	-1	-	-1
Depreciation charge	-1	-26	-	-27
Assets classified as held for sale	-510	-2,952	-718	-4,180
Closing net book value	14	126	-	140

Period ended 31 December 2013

Opening net book value	14	126	-	140
Additions	-	-	20	20
Transfers	-	20	-20	-
Disposals	-	-8	-	-8
Depreciation charge	-2	-41	-	-43
Assets classified as held for sale	-	-	-	-
Closing net book value	12	97	-	109

Period ended 31 December 2012

Cost	27	312	-	339
Accumulated depreciation	-13	-186	-	-199
Net book value	14	126	-	140

Period ended 31 December 2013

Cost	27	316	-	343
Accumulated depreciation and impairment	-15	-219	-	-234
Net book value	12	97	-	109

The Company has no assets held under finance lease contracts.

7. Intangible Assets

<i>(in thousands of EUR)</i>	Licenses, software and intangibles in progress	Total
Period ended 31 December 2012		
Opening net book value	-	-
Additions	4,046	4,046
Disposals	-	-
Amortization charge	-109	-109
Assets classified as held for sale	-5	-5
Closing net book value	3,932	3,932
Period ended 31 December 2013		
Opening net book value	3,932	3,932
Additions	-	-
Disposals	-	-
Amortization charge (Note 4)	-946	-946
Assets classified as held for sale	-	-
Closing net book value	2,986	2,986
As at 31 December 2012		
Cost	5,048	5,048
Accumulated amortization	-1,116	-1,116
Net book value	3,932	3,932
As at 31 December 2013		
Cost	5,048	5,048
Accumulated amortization	-2,062	-2,062
Net book value	2,986	2,986

The original acquisition value of tangible and intangible assets, which are fully amortized, but still in use by the Company, is EUR 941 thousand.

8. Financial investments

<i>(in thousands of EUR)</i>	31 December 2013	31 December 2012
Opening book value	92	938
Transfer to assets classified as held for sale	-	- 846
	92	92

9. Deferred Taxes

Deferred tax is calculated from all temporary differences based on liability method using tax rate of 22% due to change in statutory tax rate to 22% applicable from 1 January 2014.

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

<i>(in thousands of EUR)</i>	31 December 2012	Recognized in the income statement and other comprehensive income	31 December 2013
Deferred tax liabilities			
Difference between net book value of fixed assets for accounting and tax purposes	- 5,803	5,797	-6
Total	- 5,803	5,797	-6
Deferred tax assets			
Impairment provision for fixed assets held for sale	14,934	-14,934	-
Environmental provision	2,267	-2,267	-
Provision for contractual penalties	1,609	50	1,659
Other temporary differences	2,298	-2,123	175
Total	21,108	-19,274	1,834
Total net deferred tax asset	15,305	-13,477	1,828

The deferred tax recognized through income statement represents EUR 13,439 thousand and the deferred tax income recognized through other comprehensive income represents EUR -37 thousand.

10. Discontinued operations

In 2011, the majority shareholder Zentiva NV (a member of the Sanofi Group) decided to initiate a project aimed at finding a new owner for the manufacturing facility in Hlohovec ("Manufacturing Facility") and, therefore, the manufacturing facility was classified as a disposal group held for sale.

On 20 November 2012, the Company entered into an Agreement on the terms of sale of part of business (production facility in Hlohovec) with Saneca Pharmaceuticals, a.s. (former Wood Pharma Holding a.s.). The value of sale and deal was fixed, based on bid management conducted by the professional services company Pharmaventures and was approved at the General Meeting of the Shareholders of the Company on 19 October 2012.

On 25 March 2013, the last conditions precedents of the above agreement were fulfilled and an agreement to sell the part of business was signed, whereby the transfer of the part of business came into effect. Saneca Pharmaceuticals, a.s. took over the production of pharmaceutical substances (API) and medicinal products including packaging and distribution under the Agreement. The terms of sale of a part of the business included the transfer of production facilities, employees and selected trademarks. Zentiva and Saneca Pharmaceuticals, a.s. also entered into agreements on future cooperation covering the purchase of medicinal products and active pharmaceutical substances produced by Saneca Pharmaceuticals, a.s. in Hlohovec over the next five years.

Sale of part of the business covers all assets and liabilities of the manufacturing facility in Hlohovec (its business activities represent mostly development, manufacturing, packaging and distribution of pharmaceuticals, active substances and opiates), trademarks Indulona and Parexyl and share on investment in Mestská ČOV Hlohovec.

10. Discontinued operations (continued)

Intellectual property assets (trademarks, patents, licences, know-how, research and development projects, Company name Zentiva etc. except for intellectual property to active pharmaceutical substances and trademarks Indulona and Parexyl) were not subject to sale. Also, registrations (e.g. registration for distribution of pharmaceuticals) were not transferred to the new owner.

The contract also includes an obligation to conclude a contract on transfer-back of cash-pool receivable and receivables from related parties.

Following the contract on future co-operation including purchase of pharmaceuticals and active substances to be produced by Saneca Pharmaceuticals, a.s. in the upcoming five years, the forecasted future income of the Company has changed. Continuing activity henceforward includes revenues from licence fees and marketing activities and proceeds from sales of pharmaceuticals, which were in FY 2011 presented within the discontinued operations. Discontinued operations comprise sales to third parties and research and development.

10. 1. Income statement – discontinued operations

<i>(in thousands of EUR)</i>	2013	2012
Sales	2,456	17,804
Production costs	-1,794	- 13,943
Gross profit	662	3,861
Marketing and distribution expenses	-150	-472
General and administrative expenses	-139	-11,531
Research and development	-434	- 3,005
Impairment loss recognised on the remeasurement to fair value less costs to se	-	-
Operating profit	-61	-11,147
Financial income, net	-	-
Loss before tax from a discontinued operation	-61	- 11,147
Tax income:		
Related to current pre - tax profit	-	-
Related to measurement to fair value less cost to sell (deferred tax)	-	-
Loss for the year from a discontinued operation	-61	- 11,147
Attributable to Majority Shareholder:		
Loss for the year from a discontinued operation	-61	-11,015
Profit for the year from continuing operations	52,319	80,395

The results of the disposal of the production facility in Hlohovec are as follows:

<i>(in thousands of EUR)</i>	2013
Consideration received in cash	10,854
Cost of net assets disposed of	-10,898
Loss on disposal before income taxes	-44

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10.2. Assets and liabilities classified as held for sale - discontinued operations

The following assets and liabilities are classified as held for sale:

<i>(in thousands of EUR)</i>	31 December 2013	31 December 2012
Assets		
Intangible assets	-	5
Property, plant and equipment	-	12,780
Financial investment ČOV Hlohovec	-	846
Material	-	8,283
Work in progress	-	2,760
Finished goods	-	523
Trade receivables-third parties	-	2,260
Other receivables	-	337
Cash equivalents	-	334
Total assets held for sale	-	28,128
Liabilities:		
Environmental provision	-	9,855
Provision for employees benefits	-	3,734
Trade liabilities	-	7,055
Liabilities to employees	-	447
Social insurance liabilities	-	125
Other provisions	-	452
Total liabilities directly associated with assets held for sale	-	21,668
Total net assets held for sale	-	6,460

The major classes of the assets and liabilities of the production facility in Hlohovec at the date of disposal are as follows:

<i>(in thousands of EUR)</i>	25 March 2013
Assets	
Intangible assets	2,879
Property, plant and equipment	13,140
Financial investment ČOV Hlohovec	845
Material	6,139
Work in progress	5,343
Finished goods	553
Trade receivables-third parties	3,087
Cash equivalents	660
Total assets held for sale	32,646
Liabilities:	
Environmental provision	9,909
Provision for employees benefits	4,061
Trade liabilities	7,097
Other provisions	681
Total liabilities directly associated with assets held for sale	21,748
Total net assets held for sale	10,898

10.2. Assets and liabilities classified as held for sale - discontinued operations (continued)

Impairment of property, plant and equipment

Immediately before the classification of the Manufacturing Facility as a discontinued operation, the recoverable amount was estimated for certain items of property, plant and equipment and no impairment loss were identified. Following the classification, an impairment amounting to EUR 67,991 thousand at the Manufacturing Facility was identified in 2011 on the basis of preliminary offers which were evaluated by the majority shareholder together with a professional advisor as the most probable as well as the calculation of the estimated costs to sell. Following sale of part of the business as at 25 March 2013, the Company accounted for additional impairment loss of EUR 254 thousand, based on the actual sales price. This impairment loss was reflected in 2012 profit and loss account.

10.3 Statement of Cash Flows

Cash Flows from discontinued operations

<i>(in thousands of EUR)</i>	2013	2012
Net cash flows from operating activities	- 61	-15,173
Net cash flows from investment activities	-	330
Net cash flows from financial activities	-	-
Net cash flows from discontinued operations	-61	-14,873

Cash flows on the disposal of the production facility in Hlohovec are as follows:

<i>(in thousands of EUR)</i>	2013
Consideration received in cash	10 854
Cash and cash equivalents disposed of	-660
Cash inflows from disposal	10 194

11. Inventory

<i>(in thousands of EUR)</i>	31 December 2013	31 December 2012
Raw materials and other materials	-	8,665
Work in progress	-	3,098
Finished goods	-	2,697
Merchandise	-	56
Prepayments for inventory	-	-
Allowances	-	-1,806
Transfer to assets held for sale	-	-11,566
Total	-	1,144

12. Trade Receivables

<i>(in thousands of EUR)</i>	31 December 2013	31 December 2012
Trade receivables	12,396	14,493
Allowances	-352	-526
Transfer to assets held for sale	-	-2,260
Total	12,044	11,707
Allowance as at 1 January		
From trade	526	1,304
Additions	13	
Use	-187	-741
Reversal	-	-37
Allowance as at 31 December	352	526

Trade receivables represent outstanding balances on invoices from both domestic and foreign customers. Receivables from domestic sales are denominated in local currencies, while receivables from abroad are denominated in foreign currencies. Major customer Sanofi Withrop Industry FR accounts for 78.84% (EUR 9,772 thousand) of all trade receivables.

The analysis of impaired trade receivables is as follows:

	Nominal value 2013 (in thousands of EUR)	Allowance 2013 (in thousands of EUR)	Carrying amount 2013 (in thousands of EUR)
Past due and not impaired			
less than 30 days	75	-	75
31 – 90 days	-	-	-
91 – 180 days	-	-	-
over 180 days	352	352	-
Total impaired receivables	427	352	75

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12. Trade receivables (continued)

	Nominal value 2012 (in thousands of EUR)	Allowance 2012 (in thousands of EUR)	Carrying amount 2012 (in thousands of EUR)
Past due and not impaired			
less than 30 days	-	-	-
31 – 90 days	108	-	108
91 – 180 days	4	2	2
over 180 days	524	524	0
Total impaired receivables	636	526	110

As at 31 December 2013 and 2012, the ageing analysis of trade and other receivables is as follows:

	Not yet due	< 90 days past due	91 – 180 days past due	181 – 360 days past due	>360 days past due	Allowance	Total
As at 31 December 2013	11,669	75	-	-	352	-352	12,044
As at 31 December 2012	13,857	108	4	-	524	-526	13,967

13. Receivables from Cash-Pooling, Cash management and Other Receivables

	31 December 2013	31 December 2012
<i>(in thousands of EUR)</i>		
Receivables from cash-pooling and cash management	75,823	63,243
Prepayments and other receivables out of IC	1,968	2,174
Other receivables IC	52,849	81,831
Allowances for other receivables	-89	-89
Transfer to assets held for sale	-	-337
Total	130,551	146,822

In 2013, the average interest rate from cash management was 0.074% p.a. (0.257% p.a. in 2012).

The net interest income on the cash pool was EUR 70 thousand in 2013 (2012: net interest expense of EUR 426 thousand).

14. Cash and Cash Equivalents

	31 December 2013	31 December 2012
<i>(in thousands of EUR)</i>		
Cash in hand and in banks	-	334
Transfer to assets held for sale	-	-334
Total	-	-

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

15. Share Capital and Share Premium

	31 December 2013		31 December 2012	
	Number	In thousands of EUR	Number	In thousands of EUR
Share capital				
Authorized , issued and fully paid ordinary shares at a nominal value of EUR 33.19 per share	1,620,192	53,774	1,620,192	53,774

The share premium represents the positive difference between the total subscribed price of 230,765 ordinary shares and their nominal value in 1997.

16. Retained Earnings and Other Reserves

Retained earnings and other prior year reserves totalling EUR 66,169 thousand (as at 31 December 2012: EUR 83,918 thousand) include the legal reserve fund, other 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 2013, the fund amounted to EUR 10,776 thousand.

Other capital funds and gains/losses on revaluation of ownership interests were EUR 2,156 thousand as at 31 December 2013 (EUR 2,156 thousand as at 31 December 2012).

On 18 June 2013, the Annual General Meeting approved the financial statements of the Company for the prior year as at 31 December 2012 the payment of dividends of 69,669 thousand.

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17. Trade and Other Liabilities

<i>(in thousands of EUR)</i>	31 December 2013	31 December 2012
Trade payables	6,156	15,216
Liabilities from derivatives, cash pooling and cash management	105	-
Wages and social security	292	-
Other liabilities and other accrued liabilities	2,258	1,787
Transfer to liabilities available for sale	-	-7,627
Total	8,811	9,376
Of which, not yet due	8,811	9,376

Out of which social fund

<i>(in thousands of EUR)</i>	year 2013	year 2012
Balance as at 1 January	19	108
Total additions	50	186
Total use	-36	-155
Transfer to liabilities available for sale	-	-120
Balance as at 31 December	33	19

18. Provisions

<i>(in thousands of EUR)</i>	31 December 2012	Use	Release	Additions	31 December 2013
Long-term provisions					
Employee benefits provision	4,324	-4,089	-179	92	148
Environmental provision	9,855	-9,855	-	-	-
Provision for contractual penalties	6,966	-	-22	-	6,944
Transfer to long term provision available for sale	- 13,589	13,589	-	-	-
Total long-term provisions	7,556	-355	-201	92	7,092
Short-term provisions					
Unused vacation and staff bonuses	3,921	- 6 789	-	3 372	504
Other	658	-994	-	1 054	718
Provision for demolition works	782	-	-782	-	-
Transfer to short-term provision available for sale	-452	452	-	-	-
Total short-term provisions	4,909	-7,331	-782	4,426	1,222
Total provisions	12,465	-7,686	-983	4,518	8,314

The Company expects that the long-term provisions for employee benefits and the provision for contractual penalties will be used in 2014 and the subsequent years

18. Provisions (continued)

Provision for contractual penalties

Provision for contractual penalties represents obligation of Zentiva, a.s. to compensate any loss resulting from purchased quantities being lower than agreed in the contract. Minimum value of purchase orders are defined in the contract with the purchaser, these are compared to the sales forecast of the Group for the period of three years following the sale of part of the business.

Provision for asset retirement

In 2011, the Company created an asset retirement provision for buildings demolition works to be performed in years 2012 - 2015 of EUR 860 thousand based on a qualified estimate of cost of demolition. The value of provision was capitalized into the value of related assets. The assets are depreciated over five year period; in FY 2012 the Company recognized the depreciation of EUR 222 thousand (in FY 2013 EUR 28 thousand) related to these assets. The provision was fully released in 2013, following the sale of related assets.

Provision for staff benefits

	31 December 2013	31 December 2012
Opening balance as at 1 January	4,324	2,578
Additions to unrecognized costs of previous periods	-	1,477
Provision transferred	-4,061	
Costs of present and past services	53	221
Interest expense	38	132
Benefits paid	-36	-290
Actuarial gains or losses	-170	206
Closing balance as at 31 December	148	4,324

19. Cash Flows from Operating Activities

<i>(in EUR thousands)</i>	31 December 2013	31 December 2012
Profit before tax and financial expenses from continuing operations	71,661	95,438
Loss before tax and financial expenses from discontinued operations	-61	-11,147
Profit before tax and financial expenses	71,600	84,291
<i>Non-monetary items</i>		
Foreign exchange gains/losses on operating activities	-169	-528
Depreciation of tangible fixed assets (Note 6)	43	27
Impairment loss recognised on the remeasurement to fair value less costs to sell (Note 10)	-	254
Amortization of intangible fixed assets (Note 7)	946	109
Movements in allowances	13	-1,258
Loss from sale of production facility in Hlohovec	44	-
<i>Movements in working capital</i>		
Decrease/(Increase) in inventory	1,144	6,825
Decrease / (Increase) in trade receivables and other receivables	24,390	-43,611
Increase/(Decrease) in trade payables and other payables	-940	-20,908
Movements in long-term provisions	-3,981	8,803
<i>Other movements in operating activities</i>		
Interest received	70	427
Interest paid	-38	-
Other	-84	-242
Net cash flows from operating activities	93,038	34,189

20. Contingent Liabilities

Contractual obligations for capital expenditures

As at 31 December 2013, the Company has contractual obligations for capital expenditures of EUR 0 (As at 31 December 2012, it had contractual obligations for capital expenditures of EUR 1,429 thousand).

Bank guarantees

Guarantee to the benefit of	Guarantee amount	Guarantee provider	Purpose	Validity
Trnava Customs Authority	EUR 331,939	Tatra banka, a.s.	Customs debts	Indefinite
Trnava Customs Authority	EUR 500,000	Tatra banka, a.s.	For using spirit for the purpose of tax exemption	30/11/2013
Trnava Customs Authority	EUR 597,491	Tatra banka, a.s.	In connection with receipt of spirit from another EU member state	30/11/2013

Operating lease obligations

<i>(in thousands of EUR)</i>	2013	2012
Up to one year	434	566
From 1 to 5 years	400	721
Over five years	-	-
Total	834	1,287
Lease payments reported in the income statement for the period	495	641

Lawsuits

Lawsuits filed by the Company:

In 2013, the Company did not file any application for orders to pay, or rulings which could have a significant effect on the financial standing of the Company.

Lawsuits filed against the Company

V. Sika vs. the Company for payment of EUR 96 thousand (SKK 2,900 thousand) and related interest and fees on the grounds of incorrect wage categorization. The Company did not create provision for this lawsuit due to the fact that it deems the claim unsubstantiated.

Ing. Šnupárek and Ing. Ratkovská, CSc. vs. the Company for payment of EUR 130 thousand on the grounds of fees claimed by the co-inventors of a product. The Company has created a 100% provision for this lawsuit.

21. 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.

The Group is controlled by Zentiva N.V. A summary of transactions that the Group made with the Zentiva N.V. group companies and Sanofi group companies in the period under review and related party balances is as follows:

Inter-company sales and purchases

<i>(in thousands of EUR)</i>	Sales in 2013	Purchases in 2013	Sales in 2012	Purchases in 2012
Zentiva International Hlohovec	4,965	-	46,214	325
Zentiva k.s. Praha	1,957	1,136	11,860	3,856
Zentiva Group Praha	-	8,609	1	11,760
Zentiva SA Bucharest	9	614	8	433
Zentiva N.V., the Netherlands	-	-	-	-
Zentiva HU Kft. Budapest	-	76	-	1,745
Eceazacibasi Zentiva Saglik	187	158	-	462
Sanofi-Aventis Pharma Slovakia s.r.o.	436	892	409	923
Francopia France	1,054	-0	598	110
Sanofi-Aventis SA France	-	-	434	491
Sanofi-Aventis France	76	53	-	-
Sanofi Winthrop Industries	143,615	-	135,877	6
Sanofi-Aventis Bulgaria	-	948	-	1,548
Sanofi_Aventis Spp PL	-	3,260	-	-
Sanofi-Aventis Estonia	-	534	-	455
Sanofi-Aventis Letonie	-	703	-	631
Mapharm Casablanca	-	-	36	-
Sanofi –Aventis s r.o. Praha	-	6,807	-	7,798
Sanofi –Aventis Deutschland	321	-	321	-
Carring Insurance LTD Ireland	-	43	-	150
Sanofi-aventis s r.o. Slovakia	14,956	669	821	-

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21. Related Party Transactions (continued)

Inter-company trade and other receivables were as follows:

<i>(in thousands of EUR)</i>	31 December 2013	31 December 2012
Zentiva International, a.s. , Hlohovec	21	5 694
Zentiva k.s., Praha	81	2 879
Zentiva SA Bucharest	-	5
Zentiva HU Kft. Budapest	-	150
Zentiva Group a.s., Praha	-	1
Carring Insurance LTD Ireland	16	74
Sanofi-Aventis s r.o. Slovakia	1,696	210
Sanofi-Winthrop Industries France	61,913	83 762
Sanofi-Aventis Pharma Slovakia	442	492
Mapharm Casablanca	-	-
Francopia France	-	-
Sanofi-Aventis Bulgaria	21	114
Sanofi-Aventis Estonia	121	-
Sanofi_Aventis Spp PL	573	-

Inter-company trade payables were as follows:

<i>(in thousands of EUR)</i>	31 December 2013	31 December 2012
Zentiva k.s. Praha	419	2,977
Zentiva International a.s. Hlohovec	233	325
Zentiva SA Bucharest	91	85
Sanofi-Aventis s.r.o. Praha	1,652	989
Sanofi Winthrop Industries France	-	-
Sanofi-Aventis Lettonie	-	-
Sanofi_Aventis Lituania	-	1
Sanofi Chimie Aramon	-	16
Winthrop Pharmaceutical Malaysia	-	-
Zentiva BG, Ltd. Sofia	-	-
Zentiva Group a.s., Praha	214	2,653
Sanofi-aventis Pharma Slovakia	602	648
Sanofi_Aventis Slovakia	561	-
Sanofi – Aventisd Private Hungary	40	-
Sanofi-Aventis Estonia	1	1
Sanofi-Aventis Group France	51	3
Sanofi-Aventis Pharmaceutica Brazil	-	36
Francopia	-	-

Other receivables and payables in the consolidated Group

<i>(in thousands of EUR)</i>	31 December 2013	31 December 2012
Sanofi-Aventis SA France (cash pooling and management)	75,823	63,243
Total receivables	75,823	63,243
Sanofi-Aventis SA France (currency derivatives)	57	312
Total payables	-	-

21. Related Party Transactions (continued)

As at 31 December 2013 the Company has intercompany currency derivatives.

Part of Zentiva employees has joined the Sanofi Stock Option & Restricted Share Plans (including a Global Employee Share Scheme as stated in Note 2v)). As of 31 December 2013 and 31 December 2012, the Company recognized EUR 624 thousand and EUR 561 thousand, respectively through the equity in connection with these share-based payment plans under IFRS 2.

Action 2013

Action 2013 is the employee share purchase plan that allowed the Company's employees to purchase shares of the Sanofi group at a discounted price within the limited subscription period. This offer of securities was realized within making use of an exception from the obligation to publish a prospectus referred to in Article 4 (1) (e) of Directive 2003/71/EC of the European Parliament and of the Council on the prospectus, in its current version.

Sanofi shares were offered to all eligible employees of the Sanofi group in more than eighty countries, in line with the increase of registered capital of Sanofi reserved for these employees. From 7 November 2013 to 24 November 2013, the so-called subscription period took place. The program was determined for all current employees of the Sanofi group (if they met the minimum period of employment condition, i.e., three months from the day of the so-called subscription period). At that time, employees could subscribe to (purchase) the required number of shares of the Sanofi group (max. 25 percent of annual gross salary for 2013; the minimum value of your subscription was the subscription price per subscription unit/share). Price per share for a Sanofi group employee was set at EUR 59.25, representing a 20 percent discount of the so-called reference price. This investment is subject to a five-year commitment period.

Project Zenith

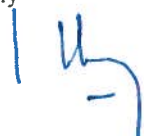

In 2011, a project has been commenced, during which the trading model for sale and distribution of finished products produced by Zentiva group companies is gradually modified. Within the project, an existing trading model hitherto used by the Zentiva group companies (where Slovak company Zentiva International, a.s. acts as a central trading and distribution company) is being changed into the trading model used within the Sanofi Group (where French company Sanofi Winthrop Industries SA acts as a central trade and distribution company). In connection with the change, settings of logistics and financial flows in Zentiva, a.s. Bratislava are also subject to significant adjustments, which will mainly affect the Company's earnings in the form of a division of the earnings between the sold goods (compensation for production functions and other resulting risks) and the licence fee (compensation for intellectual property rights to the product concerned).

Due to the volume of finished products concerned and technical and administrative requirements related to the project, the changes were implemented in several stages since May 2011 and the project continued to be implemented in 2012 as well. The project was completed in March 2013, when a change in the business model for Slovakia was adopted, due to the sale of the production division. As a result, from April 2013, the Company has been selling finished products directly to the distribution company Sanofi-Aventis Slovakia, s.r.o..

22. Subsequent Events

In 2014, a buy-out of shares continues realized by the parent company Zentiva N.V., Amsterdam.

On 14 March 2044 the Company has commenced the recall of all batches of the medicinal products Calcium pantothenicum Zentiva, drm. ung. 30g and Calcium pantothenicum Zentiva, drm. ung. 100g with a shelf life that has not expired. The medicinal product Calcium pantothenicum Zentiva is used topically in order to promote the healing and epithelisation of small wounds (minor burns and scratches and abrasions), skin irritations (such as the result of X-ray irradiation, after excessive sun exposure), chronic (protracted) and venous ulcers, anal fissures, and the like. The reason for the recall of the medicinal product is the fact that some batches do not comply with microbiological purity specifications – microbiological contamination of yeasts, fungi and Pseudomonas aeruginosa was found.

Authorized for issue by:	Signature of accounting unit's statutory body:	Person responsible for financial statements (name, signature):	Person responsible for accounting (name, signature):
19 March 2014	Amer Khoury 	Ing. Pavel Novák 	Anna Šudyová 