ZENTIVA
A SANOFI COMPANY

ANNUAL REPORT

2015

Zentiva International a.s. Bratislava

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ZENTIVA
Člen skupiny sanofi-aventis

About Zentiva International a.s.

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Company name:	**Zentiva International, a.s.**
Legal form:	joint-stock company
Registered office:	Einsteinova 24 851 01 Bratislava
Identification No.:	35687355
Date of establishment:	20 September 1995
Founder:	Léčiva, a.s. Dolní Měcholupy 130, Prague 10

Foreign branches:

Sales Office in Ukraine - activities suspended
Žiljanska bul., 48-50 A, 01033 Kiev

Sales Office in Kazakhstan - activities suspended
St. Jambula Str. 13, app. 2 4800 100 Almaty

Sales Office in Georgia - activities suspended
39 Pekini Street, Apt. 42, Tbilisi

Sales Office in Romania - activities suspended
Str. Therodor Pallady nr. 50, sector 3, Bucharest

Sales Office in Lithuania - wound up on 19 June 2015
A.Juozapavičiaus g.6/Slucko g.2, Vilnius

Registered capital:	EUR 6, 671,970.00
Issued shares:	
Class:	common shares with a voting right attached
Type:	bearer shares
Form:	certificated
Nominal value:	EUR 6,671.97
Quantity:	1,000

The Company was primarily engaged in the purchase of merchandise for the purposes of its resale to ultimate consumers and in the provision of marketing and advertising services within the scope of a free trade. The Company ceased its business activities in 2013 and currently is mainly focusing on the collection of outstanding receivables (including the necessary legal action) and gradual withdrawal from foreign markets as a result of the cessation of its business activities. The Company is a member of the Sanofi group. The consolidated financial statements for all group entities including the Company are prepared by Sanofi SA, with its registered office located at 54 Rue La Boétie, 75008 Paris, France.

Zentiva is an international pharmaceutical group with a leading position in the generic pharmaceutical product markets in the Czech Republic, Turkey, Romania and the Slovak Republic. The Company has extended its operations to include the markets in other major countries of the given region, including Poland, Russia, Ukraine, Hungary, Bulgaria and the Baltic states.

Since 2009, Zentiva has become a very important element of the strategic development of Sanofi Group. The aim of the Group is becoming a diversified patient-needs-oriented healthcare provider. Thanks to Zentiva's extensive experience and success in providing modern medicines for reasonable prices, Sanofi has selected Zentiva as a basis for its generic platform. Since 2012, Zentiva has managed the global development of the generic portfolio and the strategic development groups and Zentiva brand has been used for all generic activities of Sanofi in Europe, the Far East and Africa.

Since 2009, a process has been under way to integrate Zentiva into Sanofi Group, particularly the legal and process structures, in order to allow for a more effective use of its experience and resources and to achieve optimized solutions.

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Key Information

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	2015	2014
Sales (in EUR thousands)	39	5
Profit/loss before tax (in EUR thousands)	(2,035)	(232)
Taxes (in EUR thousands)	(319)	(1,179)
Profit/loss after tax (in EUR thousands)	(2,354)	(1,411)
Investments (in EUR thousands)	-	-
Average number of employees (persons)	-	-
Quantity of common shares with a nominal value of EUR 6,671.97	1,000	1,000
Dividends per common share (EUR)	-	-
Pre-tax profit margin (%)	-	-
After-tax profit margin (%)	-	-

Shareholder structure:

The Company's sole shareholder as at 31 December 2015 was Zentiva Group, a.s. with its registered office located at U Kabelovny 130, 102 37 Prague 10, Dolní Měcholupy.

Company Bodies

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Board of Directors

Michal Vacula – chair of the Board of Directors
Isabelle Auger – member of the Board of Directors

Supervisory Board

Mehdi Patrick Lahnech
Philippe Beaufils
Jean-Marie Arnaud

Report of the Company's Board of Directors

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Zentiva strategy

Zentiva's strategy aims at continuous profit growth. Increasing the availability of modern medicines in the Central and East European markets through primary care providers is a key element of this strategy. Zentiva products are intended for the treatment of pain, cardiovascular diseases, CNS disorders, digestive and urogenital system disorders and respiratory diseases. Food supplements primarily include vitamin preparations.

Thanks to affordable and accessible medicinal products of high quality, the firm has established a good reputation in the marketplace that was recognized by Sanofi in its decision to use the Zentiva brand within the Sanofi Group.

The Company does not engage in research and development.

Forecast for 2016

In 2011 the Company initiated a project with the aim of changing the business model used for the sale and distribution of finished products manufactured by Zentiva Group companies. The project comprised a transition from the current business model used by Zentiva Group companies (with the Slovak company Zentiva International, a.s. being the central sales and distribution company) to the business model used by the Sanofi Group (with the French company Sanofi Winthrop Industrie SA being the central sales and distribution company). In connection with the above transition, major changes were implemented in Zentiva International, a.s. logistics and financial flows. The change particularly resulted in a steady decrease of turnover, i.e. a decrease in the proportion of products manufactured by other Zentiva Group companies and an increase in the distribution of products manufactured outside the Sanofi Group. Considering the volume of affected finished products and the technical and administrative demands of the project, the changes were implemented in several stages starting from May 2011 and throughout 2012.

The project was completed at the end of March 2013 in connection with the sale of the manufacturing plant of Zentiva a.s. in Hlohovec and the related subsequent change of the flows from this manufacturing plant to the Slovak market. The validity of the Company's distribution licenses expired in April 2013.

In 2016 the Company will continue its efforts to recover its outstanding receivables (including the necessary legal action) and to phase out its activities in foreign markets in connection with the termination of active distribution as a result of the facts mentioned above.

Financial Report

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5.1. Income Statement

Revenues

Zentiva International, a.s. recorded total revenues of EUR 39 thousand in 2015 (2014: EUR 5 thousand). The Company terminated the sale of pharmaceutical products as of 31 March 2013. Due to the phasing out and liquidation of the territory sales offices, the Company did not engage in marketing activities in 2015.

Profit/loss from operating activities

The Company posted a loss of EUR 2,354 thousand in 2015.

Profit/loss from financial activities

In 2015, the Company recorded a loss of EUR 150 thousand from financial activities (2014: a gain of EUR 31 thousand). A net foreign exchange loss was EUR 86 thousand in 2015 (2014: a gain of EUR 37 thousand).

Profit before tax /profit after tax

In 2015, Zentiva International a.s. recorded a loss before tax of EUR 2,035 thousand (2014: a loss of EUR 232 thousand) and a loss after tax of EUR 2,354 thousand (2014: a loss of EUR 1,411 thousand).

The loss arose due to an allowance recognized against a VAT receivable generated in Romania and due to provisions recognized to cover tax risk exposures in Slovakia and abroad.

5.2. Proposed profit distribution

The Company's Board of Directors has proposed not to pay dividends for 2015.

5.3. Balance Sheet

In 2015, the Company continued to phase out the activities of the territory sales offices.

The Company's key asset in 2015 was a deposit in the Sanofi cash management structure; the Company had joined the structure in June 2010. Interest allocated under Sanofi cash management structure is comparable to interest rates provided on financial markets.

The Group recorded receivables and payables under the cash management structure as other short-term receivables or payables, as appropriate.

Balance sheet items as at 31 December 2015 show a decrease compared to the comparative period ended 31 December 2014; this is the result of the phasing out of the Company's activities.

Litigation

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Lawsuits filed by the Company:

In 2015, the Company did not file any motion to initiate proceedings to issue an order for payment or a judgment that could have a significant impact on the Company's financial position.

Lawsuits filed against the Company:

In 2015, no motion to initiate proceedings to issue an order for payment or a judgment was filed against the Company that could have a significant impact on the Company's financial position.

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Environment

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The Company's activities have no significant impact on the environment.

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

To the Shareholder of Zentiva International a.s.:

I. We have audited the financial statements of Zentiva International a.s. ("the Company") as at 31 December 2015 presented in the annual report Appendix 1. We issued the following audit report dated 31 March 2016 on the financial statements:

"Independent Auditors' Report

To the Shareholder of Zentiva International a.s.:

We have audited the accompanying separate financial statements of Zentiva International a.s. ('the Company'), which comprise the statement of financial position as at 31 December 2015 and statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, 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.

31 March 2016
Bratislava, Slovak Republic

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

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accounting information presented in the annual report and derived from the financial statements is consistent, in all material respects, with the financial statements. We have checked that the information presented in the annual report on pages 1 – 12 is consistent with that contained in the audited financial statements as at 31 December 2015. 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 2015 and are in accordance with the Act on Accounting No 431/2002 Z.z., as amended by later legislation.

31 March 2016
Bratislava, Slovak Republic

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Zentiva International a. s.

Financial Statements
for the Year Ended 31 December 2015

Prepared in accordance with
International Financial Reporting Standards

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Income Statement

(In EUR thousands)	Note	2015	2014
Total sales of goods	4	39	5
Cost of goods sold		-	(27))
Gross margin		39	(22)
Sales of services		-	-
Material and energy consumption		-	-
Services	4	(159)	(162)
Personnel expenses	5		
Taxes and fees		-	-
Depreciation of property, plant and equipment		-	-
Other operating income / (expenses)	4	(1,765)	(79)
Profit/Loss before tax and finance costs		(1,885)	(263)
Interest income		-	11
Interest expense		-	-
Other finance income / (costs)	4	(150)	20
Profit/Loss before tax		(2,035)	(232)
Income tax expense	6	(319)	(1,179)
Net profit/loss		(2,354)	(1,411)

Statement of Comprehensive Income

(In EUR thousands)	2015	2014
Net profit/loss for the period	(2,354)	(1,411)
Other comprehensive income	-	-
Total comprehensive income for the period	(2,354)	(1,411)

Balance Sheet

(In EUR thousands)	Note	31 December 2015	31 December 2014
Assets			
Non-current assets:			
Property, plant and equipment	7	-	-
Deferred tax asset	8	-	-
Total non-current assets:		-	-
Current assets:			
Inventory	9	-	-
Trade and other receivables	10	**8,983**	10,593
Income tax	6	-	166
Cash and cash equivalents	11	**159**	172
Other current assets	10	**1**	1
Total current assets:		**9,143**	10,932
Total assets		**9,143**	10,932
Liabilities and shareholders' equity			
Equity:			
Share capital	12	**6,672**	6,672
Retained earnings/accumulated loss and other reserves	13	**1,011**	3,365
Total shareholders' equity:		**7,683**	10,037
Non-current liabilities:			
Long-term liability		-	-
Long-term provisions	15	-	-
Total non-current liabilities:		-	-
Current liabilities:			
Short-term provisions	15	**810**	430
Accrual for tax risks		**317**	-
Trade and other payables	14	**333**	465
Income tax payable	6	-	-
Total current liabilities:		**1,460**	895
Total liabilities and shareholders' equity:		**9,143**	10,932

Statement of Cash Flows

(In EUR thousands)	Note	2015	2014
Cash flows from operating activities:	16	**(500)**	(276)
Income tax paid /recovered		**165**	295
Net cash flow from operating activities		**(335)**	19
Cash flows from investing activities:			
Purchase of property, plant and equipment		-	-
Purchase of intangible assets		-	-
Proceeds from disposal of property, plant and equipment		-	-
Net cash flow from investing activities		-	-
Cash flows from financing activities:			
Loans received from related parties (financing)	18	**(24)**	146
Dividends paid		-	(1,409)
Loans provided to related parties (financing)	18	**346**	1,218
Interest paid		-	-
Interest received		-	11
Net cash flow used in financing activities		322	(34)
Net increase/decrease in cash and cash equivalents		(13)	(15)
Cash and cash equivalents at beginning of period	11	172	187
Cash and cash equivalents at end of period	11	159	172

Statement of Changes in Shareholders' Equity

(In EUR thousands)	Share capital	Retained earnings and other reserves[1]	Total
Balance as at 31 December 2013	6,672	6,185	12,857
Dividends paid in 2014		(1,409)	(1,409)
Net profit for 2014	-	(1,411)	(1,411)
Balance as at 31 December 2014	6,672	3,365	10,037
Dividends paid in 2015		-	-
Net profit/loss for 2015	-	(2,354)	(2,354)
Balance as at 31 December 2015	6,672	1,011	7,683

[1] Retained earnings and other reserves also include a statutory reserve (EUR 1,335 thousand), which is not distributable.

1. Corporate Information

Zentiva International, a.s. ("Zentiva International" or "the Company"), was incorporated on 20 September 1995 as a joint-stock company under the laws of the Slovak Republic. Its former name was Leciva Bratislava, a.s.; this was changed to Zentiva International a.s. on 29 September 2003.

The sole shareholder of the Company as at 31 December 2015 was Zentiva Group, a.s., with its registered office at U Kabelovny 130, 102 37 Praha 10, Dolni Mecholupy.

The Company is primarily engaged in the purchase and resale of merchandise – wholesaling of pharmaceutical products. The Company used to sell branded Zentiva pharmaceutical products which were purchased from manufacturing companies within the Zentiva group or from external suppliers on the Slovak, Czech, Polish, Romanian, Russian, Ukrainian and on other foreign markets.

The Company is no longer active in this business as in 2011 a new project was launched to change the business model for the sale and distribution of finished products of the Zentiva group companies. Within the framework of the project, the business model used previously by the Zentiva group companies (the central business and distribution company being Slovak Zentiva International, a.s.) was changed to the business model used within the Sanofi group (the central business and distribution company being Sanofi Winthrop Industrie SA). This change also resulted in significant adjustments to the structure of logistics and financial flows within the Company. The changes translated into a gradual decrease in turnover, by reducing the share of products manufactured by other Zentiva group companies and focusing on the distribution of products manufactured outside the Zentiva group. Taking into consideration the volume of finished products concerned and the technological and administrative requirements of the project, changes were introduced gradually in several phases since May 2011 and the project continued throughout 2012, when business relations with all Sanofi group companies other than Slovak were terminated. The project was completed in March 2013 when the business relations with Zentiva a.s. were terminated following the sale of the Slovak Hlohovec plant. As a result, the model has been completely changed for all products of the Zentiva group and of third parties.

Zentiva International has sales offices in the following territories: Ukraine, Kazakhstan, Georgia and Romania. Business activities of all sales offices have been suspended. The sales office in Lithuania was wound up on 19 June 2015.

Registered office:
Zentiva International a.s.
Einsteinova 24
851 01 Bratislava
Slovak Republic

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

Consolidation group
The Company is a member of the Sanofi group. The consolidated financial statements for all the entities within the group, including the Company, are prepared by Sanofi, with its registered office at 54 Rue La Boétie, 75008 Paris, France.

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

Declaration of conformity

Pursuant to the Act on Accounting, the Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") from 1 January 2008. Currently, 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 and by the International Financial Reporting Interpretations Committee.

The accompanying financial statements of the Company for the year ended 31 December 2015 were prepared as annual financial statements pursuant to Section 17a of Act No. 431/2002 Coll., on Accounting, as amended. The financial statements were prepared on a going concern basis and cover the 12 months from 1 January 2015 to 31 December 2015.

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

Date of authorization of the prior-year financial statements

The financial statements of the Company for the prior period ended 31 December 2014 were approved by the decision of the sole shareholder (Zentiva Group, a.s., with its registered office at U Kabelovny 130, 102 37 Praha 10, Dolni Mecholupy) on 7 April 2015.

Board of Directors as at 31 December 2015

Michal Vacula – chair of the Board of Directors
Isabelle Auger – member of the Board of Directors

On 15 September 2015, the sole shareholder (i.e. Zentiva Group, a.s., with its registered office at U Kabelovny 130, Praha 10, Dolní Mecholupy, zip code 10237) recalled Thomas Cornelis Koene as Board of Directors chairman and appointed Michal Vacula to replace him.

Supervisory Board as at 31 December 2015

Mehdi Patrick Lahnech
Philippe Beaufils
Jean-Marie Arnaud

On 15 September 2015, the sole shareholder recalled Jérôme Silvestre as Supervisory Board member and appointed Jean-Marie Arnaud as new Supervisory Board member.

Information on independent auditor

The financial statements of Zentiva International, a.s. Bratislava, are audited by Ernst & Young Slovakia, spol. s r.o., Hodžovo námestie 1A, 811 06 Bratislava, Slovak Republic. Assurance services fees totaled EUR 8 thousand in 2015 (2014: EUR 8 thousand).

2. Summary of Significant Accounting Policies

a) Basis of preparation

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

The period corresponds to a calendar year.

b) Significant accounting judgments, estimates and assumptions

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

Allowance for doubtful debts
The Company recognizes allowance for doubtful debts based on the assessment of expected future cash inflows. The recognition of allowance is based on the prior experience and expectations of the Company as for the recoverability of the receivables.

Accrual for tax risks
In relation with ongoing tax inspection for the year 2011, the Company created an accruals for potential tax charges and related penalties totaling EUR 317 thousand. The Company submitted all required documents to the Tax authorities. Until March 2016 Tax authorities have not finalized tax inspection and therefore no final tax statement has been issued. The Company based its calculation of an accrual for tax risks on the actual situation at the 2015 year end and on discussions with its tax advisors. The Company will use all legal means to minimize possible negative impacts after the final tax statement is issued. Tax returns remain open and may be subject to Tax inspection for a period of five years.

c) Changes in accounting policies

Accounting policies adopted are consistent with those applied in the separate financial statements at 31 December 2014.

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

- IAS 19 Employee Benefits - Amendment to clarify the way how contributions from employees or third parties that are linked to service should be attributed to periods of service
- Annual improvements to IFRSs (issued in December 2013)

Application of the amendments did not have any impact on the financial statements of the Company.

At the date of authorization of these financial statements, the following standards and interpretations were in issue but not yet effective:

- IFRS 7 Financial Instruments: Disclosures – Amendment requiring disclosures about initial application of IFRS 9 (effective on application of IFRS 9; the amendment has not been endorsed by the EU yet)
- IFRS 7 Financial Instruments: Disclosures – Amendment requiring additional hedge accounting disclosures related to application of IFRS 9 (effective on application of IFRS 9; the amendment has not been endorsed by the EU yet)
- IFRS 9 Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2018; the standard has not been endorsed by the EU yet)
- IFRS 10 Consolidated Financial Statements – Amendment related to the sale or contribution of assets between an investor and its associate or joint venture (effective for annual periods beginning on or after 1 January 2016; the amendment has not been endorsed by the EU yet)

- IFRS 10 Consolidated Financial Statements – Amendment related to the exemption from presenting consolidated financial statements (effective for annual periods beginning on or after 1 January 2016; the amendment has not been endorsed by the EU yet)
- IFRS 11 Joint Arrangements – Amendment clarifying accounting for acquisitions of interests in joint operations (effective for annual periods beginning on or after 1 January 2016)
- IFRS 12 Disclosure of Interests in Other Entities – Amendment related to the sale or contribution of assets between an investor and its associate or joint venture (effective for annual periods beginning on or after 1 January 2016; the amendment has not been endorsed by the EU yet)
- IFRS 14 Regulatory Deferral Accounts (effective for an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016; the standard has not been endorsed by the EU yet)
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017, this standard has not been endorsed by the EU yet)
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019, this standard has not been endorsed by the EU yet)
- IAS 1 Presentation of Financial Statements – Amendment resulting from the disclosure initiative (effective for annual periods beginning on or after 1 January 2016)
- IAS 7 Statement of cash flows – Amendment resulting from the disclosure initiative (effective for annual periods beginning on or after 1 January 2017, this amendment has not been endorsed by the EU yet)
- IAS 12 Income taxes – Amendments regarding the recognition of deferred tax assets for unrealized losses (effective for annual periods beginning on or after 1 January 2017, this amendment has not been endorsed by the EU yet)
- IAS 16 Property, Plant and Equipment – Amendment bringing bearer plants within the scope of IAS 16 (effective for annual periods beginning on or after 1 January 2016)
- IAS 27 Separate Financial Statements – Amendment reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (effective for annual periods beginning on or after 1 January 2016; this amendment has not been endorsed by the EU yet)
- IAS 38 Intangible Assets – Amendment regarding the clarification of acceptable method of depreciation and amortization (effective for annual periods beginning on or after 1 January 2016)
- IAS 39 Financial Instruments: Recognition and Measurement – Amendment defines exceptions to application of IFRS 9 for hedge accounting (effective from application of IFRS 9)

Annual improvements to IFRSs (issued in September 2014)

Application of these standards and amendments is not expected to have a significant impact on the Company's financial statements.

d) Functional and presentation currency

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

e) Foreign currency translation – transactions and balances

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

f) Property, plant and equipment

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

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

Freehold land is not depreciated.

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

Assets	Number of years	Depreciation method	Annual depreciation rate
Buildings and structures	45	Straight-line	2.23%
Machinery and equipment	4 – 8	Straight-line	12.5%, 25%
Vehicles	4	Straight-line	25%
Small tangibles	4 – 8	Straight-line	12.5% - 25%

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

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

g) Intangible assets

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

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

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

h) Leases

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

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

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

i) Inventories

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

j) Impairment of non-financial assets

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

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

k) Financial instruments

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

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

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

l) Accounting for financial derivative instruments

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

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

m) Accounts receivables

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

n) Cash

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

The Company is involved in the cash-pooling structure used within the Sanofi group.

Receivables and liabilities within the Sanofi cash-management structures are presented within other current receivables or liabilities.

o) Interest-bearing loans and borrowings

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

p) Trade payables

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

q) Provisions

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

r) Revenue

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

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

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

s) Income tax

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

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

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

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

t) Contingent liabilities and contingent assets

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

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

u) Subsequent events

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

3. Financial Risk Management

Fair value of financial instruments

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

Financial risk management

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

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

(i) Foreign currency risk

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

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

(ii) Interest rate risk

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

Interest rate risk table

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

As at 31 December 2015

	Effect on profit before tax (in EUR thousands)	
Base rate	Increase by 25 basis points	Decrease by 25 basis points
EURIBOR, or other reference rate	**23**	**(23)**

As at 31 December 2014

	Effect on profit before tax (in EUR thousands)	
Base rate	Increase by 25 basis points	Decrease by 25 basis points
EURIBOR, or other reference rate	23	(23)

(iii) Credit risk

In accordance with the internal procedures and principles the Company offers the goods and services only to customers with appropriate credit history. The counterparties in derivative contracts and financial transactions represent only the financial institutions with high credit rating. It is Company policy
to reduce the dependence on any financial institution to a minimum level. The maximum risk to the Company in this regard, corresponds to the carrying amount of receivables specified in note 10.

(iv) Liquidity risk

The assumption of prudent liquidity management is to have available sufficient amount of cash and marketable securities and to secure funding by Sanofi cash-management structures and credit lines. Considering the dynamic changes in the business activities of the Company (and its parent company), the objective of Treasury Department is to maintain flexibility through participation in the Sanofi cash-management structures; since the beginning of 2012, the Company has been focusing fully on the Sanofi cash-management structures, with parallel drawing of credit lines.

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

As at 31 December 2015 (in EUR thousands)

	On demand/ Within maturity	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest-bearing loans (Notes 14, 18)	**304**	-	-	-	**304**
Trade and other payables (Note 14)	-	**29**	-	-	**29**

As at 31 December 2014 (in EUR thousands)

	On demand/ Within maturity	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest-bearing loans (Notes 14, 18)	328	-	-	-	328
Trade and other payables (Note 14)	-	9	-	128	137

(v) Capital management

A contract for a loan facility intended as a short-term financing entered into with Citibank Bratislava terminated on 4 April 2013 and was not extended (original overdraft limits were USD 3 million and EUR 2 million).

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 EUR thousands)		Fair value (in EUR thousands)	
	2015	2014	**2015**	2014
Cash and cash equivalents	**159**	172	**159**	172
Trade receivables	**97**	61	**97**	61
Trade payables	**21**	9	**21**	9
Receivables from financing	**8,862**	9,208	**8,862**	9,208
Liabilities from financing	**304**	328	**304**	328

For financial instruments with maturity period of less than one year, there is a presumption that the fair value approximates their carrying amounts. The fair value of financial instruments with maturity period over one year is estimated by discounting future cash flows using the prevailing interest rates (as at 31 December 2015 and 2014, the Company had no financial instruments with maturity period over one year).

Notes to Financial Statements

4. Revenues and Expenses

Revenues from merchandise

(In EUR thousands)	2015	2014
Czech Republic	-	-
Slovak Republic	-	-
Poland	-	-
Romania	-	-
Russia	-	-
Hungary	-	-
Ukraine	-	-
Other countries	39	5
Total revenues from merchandise	**39**	5

Service costs

(In EUR thousands)	2015	2014
Transportation	-	-
Corporate costs IC	-	-
Other services IC	104	104
Advisory	31	42
Rent	4	3
Professional services	19	9
Other	1	4
Total	159	162

Other operating income / (expenses)

(In EUR thousands)	2015	2014
Reversal/ (creation) of bad debt allowance	(222)	(222)
Other income /(expenses)	(1,543)	143
Total	(1,765)	(79)

Other finance income / (costs)

(In EUR thousands)	2015	2014
Foreign exchange losses	(420)	(287)
Foreign exchange gains	334	324
Foreign exchange gains/losses, net	(86)	37
Other finance costs	(64)	(17)
Total	(150)	20

Since June 2010, the Company has been involved in Sanofi cash-management structures, including foreign exchange risk management performed by Sanofi, France. The foreign exchange risk management also comprises transactions with derivatives; however, the derivatives do not qualify as hedging. As at 31 December 2015, all outstanding derivatives were revalued to fair value, which totaled EUR 304 thousand; the related revaluation loss was EUR 27 thousand (2014: the Company incurred a revaluation loss of EUR 255 thousand).

5. Personnel Expenses

The Company had no employees as at 31 December 2015 and 2014, respectively, and did not incur any personnel costs.

6. Income Taxes

Major components of income tax expense:

(In EUR thousands)	**2015**	2014
Current income tax	2	-
Tax refund not claimed abroad	-	-
Accruals for tax risks	317	-
Deferred income tax (Note 8)	-	1,179
Total income tax expense	319	1,179
Tax receivable	713	879
Allowance – tax refund not claimed abroad	(713)	(713)
Tax receivable, net	-	166

Accruals for tax risks (see Note 2 - Significant accounting judgments, estimates and assumptions).

Zentiva International, a.s. continues to have a formal presence in several foreign markets through local branches or sales offices, some of which are registered for local corporate income tax. As a result of these taxes, or rather tax prepayments made, the Company recognized receivables whose refund is not certain. Accordingly, the Company recognized an allowance of EUR 736 thousand in 2012, which was offset against the income tax expense. The allowance was EUR 713 thousand in 2015.

A reconciliation of the actual income tax expense with the statutory income tax rate for the years ended 31 December:

(In EUR thousands)	**2015**	2014
Profit/loss before tax	(2,035)	(232)
Statutory income tax rate at 22%	-	-
Tax refund not claimed abroad	-	-
Income tax rate change effects	-	-
Impact of permanent differences, net	-	-
Total income tax expense	-	-

7. Property, Plant and Equipment

The Company had no property, plant and equipment as at 31 December 2015 and 2014, respectively.

8. Deferred Taxes

As at 31 December 2014, the Company reassessed the deferred tax asset balance and the probability that it will be realized. Considering the expected developments of its taxable income and tax base, the Company decided to reverse the deferred tax asset.

On a prudent basis, no deferred tax asset was recognized as at 31 December 2015.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

9. Inventories

The Company had no inventories as at 31 December 2015 and 2014, respectively.

10. Trade and Other Receivables

(In EUR thousands)	**31 December 2015**	31 December 2014
Trade receivables	5,647	6,209
Allowances	(5,550)	(6,148)
Trade receivables net of allowance	97	61
Loans receivable (financing)	8,862	9,208
Advance payments and other receivables	24	1,324
Total	**8,983**	10,593

(In EUR thousands)	**31 December 2015**	31 December 2014
Allowance as at 1 January	**6,148**	6,084
Additions	275	232
Use/write off	(838)	(157)
Reversal	(35)	(11)
Allowance as at 31 December	**5,550**	6,148

Trade receivables represent outstanding balances from both domestic and foreign customers.
The ageing analysis of trade receivables as at 31 December 2015 and 2014 is as follows:

	31 December 2015	31 December 2014
Due and not impaired	-	-
Past due, but not impaired		
less than 30 days	-	-
31 – 90 days	-	-
91 – 180 days	44	-
over 180 days	53	61
Total	97	61

Prepayments and other receivables include, in particular, a VAT receivable of EUR 5 thousand (2014: EUR 1,296 thousand), which relates to the national (Slovak) tax. In addition, the Company has a receivable of EUR 1,243 thousand related to Romania; this receivable was fully provided for in 2015.

Other receivables total EUR 19 thousand (2014: EUR 28 thousand).

No receivables are pledged as collateral for loans.

Other current assets

(In EUR thousands)	**31 December 2015**	31 December 2014
Other (prepaid expenses)	1	1
Total	**1**	**1**

11. Cash and Cash Equivalents

(In EUR thousands)	**31 December 2015**	31 December 2014
Cash on hand and at bank	159	172
Total	159	172

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

12. Share Capital

	31 December 2015		31 December 2014	
	Number	**In EUR thousands**	Number	In EUR thousands
Share capital:				
Authorized, issued and fully paid ordinary shares at a nominal value of EUR 6,671.97 per share	**1,000**	**6,672**	1,000	6,672

13. Retained Earnings and Other Reserves

Retained earnings/accumulated loss and other prior year reserves total EUR 1,011 thousand (as at 31 December 2014: EUR 3,365 thousand). Other funds include the statutory reserve fund and other capital funds.

The statutory reserve fund was established in accordance with the valid legislation to cover potential future losses and is not distributable. As at 31 December 2015, the fund amounted to EUR 1,335 thousand (as at 31 December 2014: EUR 1,335 thousand).

14. Trade and Other Payables

(In EUR thousands)	**31 December 2015**	31 December 2014
Trade payables	**29**	137
Of which: due	**29**	137
overdue (within one year)	-	-
overdue (more than one year)	-	-
Liabilities from loans (financing)	**304**	328
Bonuses payable to customers	-	-
Personnel and social security expenses	-	-
Total	**333**	465

15. Provisions

(In EUR thousands)	31 December 2014	Additions	Release	31 December 2015
Long-term provisions				
Employee benefits	-	-	-	-
Total long-term provisions	-			-
Short-term provisions				
Accrued vacation and employee bonuses	-	-	-	-
Provision for tax liabilities	430	380		**810**
Total short-term provisions	430	380	-	**810**
Total provisions	430	380	-	**810**

The provision for tax liabilities is intended to cover tax fines, if any, in the Slovak Republic and abroad.

16. Cash Flows from Operating Activities

(In EUR thousands)	31 December 2015	31 December 2014
Profit/loss before tax	(2,035)	(232)
Non-monetary items		
Depreciation of property, plant and equipment (Note 7)	-	-
Amortization of intangible assets (Note 8)	-	-
Movements in allowances	644	(64)
Receivable write-off	838	157
Interest recognized into income	-	(11)
Movements in working capital		
Decrease / (increase) in inventory	-	-
Decrease / (increase) in trade and other receivables	(219)	330
Increase / (decrease) in trade and other payables	209	(764)
Increase / (decrease) in accruals for tax risks	(317)	-
Increase / (decrease) in provisions	380	51
Decrease / (increase) in other current assets	-	257
Net cash flows from operating activities	(500)	(276)

Note: The impact of cash pooling (Note 18) on cash flows is presented in the Cash Flow Statement in captions Loans received from/provided to related parties (financing).

17. Contingent Liabilities

Operating lease liabilities

The Company had no operating lease liabilities as at 31 December 2015 and 2014, respectively.

18. Related Party Transactions

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

Members of the Board of Directors and of the Supervisory Board received no bonuses or other income as at 31 December 2015 and 2014, respectively.

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

Intercompany sales and purchases of merchandise and services

(In EUR thousands)	Sales in 2015	Purchases in 2015	Sales in 2014	Purchases in 2014
Zentiva a.s. SK	-	104	-	105
Zentiva k.s. CZ	-	-	-	-
Sanofi Aventis Sp ZooPol'sk	-	-	-	-
Sanofi-Aventis Bulgaria eood	-	-	-	-
Sanofi-Aventis Slovakia	-	-	-	-
Sanofi-Aventis Romania	-	-	-	-
Sanofi-Aventis CZ	-	-	-	-
Sanofi-Aventis Group France	-	61	-	2
Sanofi-Aventis (suisse) Switzerland	-	-	-	-
Zentiva SA Bucharest	-	-	-	-
Total	-	165	-	107

Trade and other payables to related parties were as follows:

(In EUR thousands)	31 December 2015	31 December 2014
Zentiva a.s. SK	21	21
Sanofi-Aventis Sp ZOO Pol'sko	-	-
Sanofi-Aventis Slovakia	-	-
Total	21	21

Other intercompany receivables and payables were as follows:

(In EUR thousands)	31 December 2015	31 December 2014
Sanofi-Aventis SA France	8,862	9,208
Total receivables	8,862	9,208
Zentiva a.s. Brastislava	-	-
Sanofi (parent), France	304	328
Total payables	304	328

Other intercompany receivables and payables include receivables and payables arising from cash management.

Interest revenues, net, from cash management (financing) were EUR 0 thousand in 2015 (2014: EUR (11) thousand).

19. Subsequent Events

No subsequent events occurred after the balance sheet date that would affect the accompanying financial statements.

Prepared on:	Signature of entity's statutory body:	Person responsible for financial statements:	Person responsible for accounting:
31 March 2016	Ing. Michal Vacula	Ing. Pavel Novák	Ing. Anna Hrnčárová