

ZENTIVA N.V.

Zentiva N.V.
Financial Statements 2016
Amsterdam, the Netherlands

Zentiva N.V.
Prins Bernhardplein 200
1097 JB Amsterdam
The Netherlands
Chamber of Commerce: 33.302.572

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SECTION A – GENERAL OVERVIEW

Section A

General overview

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SECTION A – GENERAL OVERVIEW

1. DIRECTORS' REPORT

Management hereby presents to the shareholder the financial statements of Zentiva N.V. (the "Company") for the year ended 31 December 2016.

General information

Zentiva N.V., a public limited liability company (naamloze vennootschap), is a wholly-owned subsidiary of Sanofi-Aventis Europe S.A.S., based in Paris, France. The ultimate parent of Zentiva N.V. is Sanofi, based in Paris, France.

The principal activities of the Company are the holding of investments and financing activities.

On 28 October 2016 Sanofi announced a decision to initiate a carve-out process in order to divest its Generics business in Europe within 12-24 months. Sanofi will be looking for a potential acquirer that will leverage the mid and long-term sustainable growth opportunities for this business. Significant preparation time will be required to enable an optimal separation that is expected to take place in 2018. There is no financial effect on the 2016 financial statements.

Activities and results

Total revenues of the Company for the year 2016 decreased by 65,81% to CZK 1,610,947 thousand mainly due to decrease in dividend income. The net profit for the year 2016 amounted to CZK 1,547,111 thousand (compared to last year's net profit of CZK 4,649,445 thousand).

The equity of the Company as at 31 December 2016 amounts to CZK 23,390,672 (2015: CZK 21,843,561).

For appropriation of the result, we refer to note 11 to the Company's financial statements.

The Company continues to use the credit and debit line with Sanofi for financing purposes and balance (receivable) has increased from CZK 5,231,206 thousand to CZK 6,785,055 thousand

Investments in subsidiaries

The Company assessed all its investments in subsidiaries for impairment as at 31 December 2016. As a result of this impairment analysis, the Company did not identify an impairment for its investments in Romania, Cyprus, the Czech Republic, nor Slovakia and the Company retains previous impairment losses for its investment in Zentiva Sağlık Ürünleri (TR) unchanged. For the information on investments in subsidiaries, their impairment review and assumptions used, we refer to note 8 to the financial statements.

Share capital and reserves

Details of share capital of the Company are set out in note 10 to the Company's financial statements. There were no movements during the year. There were no movements in reserves except for changes to retained earnings which arose from profit.

Risk management

In the ordinary course of business activity, the Company is exposed to a variety of risks of which the most important are credit risk, foreign currency risk, interest rate risk and liquidity risk. These risks are identified, measured and monitored through various control mechanisms across the Company in order to prevent undue risk concentrations. Detailed information relating to these risks is set out in note 16 to the financial statements. Information relating to financial instruments is set out in note 17 to the financial statements.

The Company regularly assess finance end-to-end processes as part of global internal control framework rolled out in the Sanofi Group. The results of assessment are reported and actions are monitored by Sanofi Corporate to reduce the existing exposure in case of gaps.

SECTION A – GENERAL OVERVIEW

Risk	Controls
Credit risk	Majority of transactions is with related parties where the risk of uncollectible receivables is minimal. The maximum exposure is the carrying amount as disclosed in the balance sheet
Foreign currency risk	The Company is involved in the Sanofi cash-management structures, part of which is also a system of protection against foreign currency risk, realized by the Holding company (Sanofi). The Company may elect to enter into intragroup foreign exchange hedging transactions with the Holding company (Sanofi) for the purposes of hedging foreign exchange exposures incurred or likely to be incurred. During the year 2016 and 2015 the Company entered into intragroup foreign exchange hedging transactions with the Sanofi to hedge dividend receivables, which represented the main FX exposures in 2016 and 2015.
Liquidity risk	The Company uses a standard Sanofi group tool called “TREMA” to monitor risk of a shortage of funds and overall estimated cash position.
Interest rate risk	The Company has a Credit and Debit line (current account) with Sanofi and as at 31 December 2016 the positive balance amounted to CZK 6,785,055 thousand. Given this fact the Company’s exposure to the risk of changes in market interest rates is limited to the exposure regarding the variable interest on the loan to Zentiva Group and on the Credit/Debit line with Sanofi.
Risk of inappropriate valuation of investments in subsidiaries	An annual robust process is in place to identify potential indicators of impairment of investments in subsidiaries. The analysis is documented by the Finance Department and reviewed by the Country CFOs.

Remuneration of directors

The annual salary and other remuneration of directors amounts to CZK 0 in 2016 and 2015.

Personnel related information

During 2016, the average number of staff employed by the Company amounted to 1 person. The employment relationship with this employee terminated through mutual agreement as of 30 November 2016.

Profile of members of the Board of Directors of the Company (the “Board of Directors”)

Zentiva N.V. aims to have an adequate and balanced composition of its Board of Directors. Thereto the Board of Directors does an annual assessment of its composition. In the context of such assessment, Zentiva N.V. aims to have a gender balance by having at least 30% men and at least 30% women amongst its directors. However, because of the fact that Zentiva N.V. needs to balance several relevant selection criteria when composing its Board of Directors, the composition of the Board of Directors did not meet the above-mentioned gender balance during the year 2016. The gender balance is met in the year 2017. The Board of Directors consists of two directors. On 31 August 2017 one director (men) is replaced by a women, which results in a gender balance of 50% men and 50% women.

Research and development activities

The Company is not involved in research and development activities.

Future outlook and events after the balance sheet date

No material change in activities, in the area of capital investments and financing is contemplated for the coming year.

SECTION A – GENERAL OVERVIEW

The annual general meeting of the Company was held on 15 May 2017. In this meeting it was decided to extend the period for the preparation of the financial statements for the year ended on 31 December 2016 with five months up to a maximum of ten months after the end of the financial year 2016. No other matters were discussed during this meeting.

On 28 October 2016, Sanofi announced a decision to initiate a carve-out process in order to divest its Generics business in Europe within 12-24 months. Sanofi will be looking for a potential acquirer that will leverage the mid and long-term sustainable growth opportunities for this business. Significant preparation time will be required to enable an optimal separation that is expected to take place in 2018.

In 2017 Half-Year Financial Report Sanofi stated: „We have been examining all options for our Generics business in Europe, and have committed to a phased withdrawal from this business that we expect to be complete by the end of 2018“.

This event has no financial effect on the 2016 financial statements.

Furthermore, management is not aware of any other events that have occurred since the balance sheet date that could have a significant influence on expectations concerning future activities, investments, financing, staffing and profitability.

Amsterdam/Paris,

Colette Mutschler

Director

Appointed 31 August 2017

Pieter Wester Oldenzijl

Director

Section B

Company financial statements

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SECTION B – ZENTIVA N.V. COMPANY FINANCIAL STATEMENTS
(ALL AMOUNTS IN CZK THOUSAND)

COMPANY FINANCIAL STATEMENTS

STATEMENT OF INCOME/(LOSS) FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016	2015
Revenues			
Dividend income	12	1,437,249	4,539,332
Interest income	3	173,698	171,997
Total revenues		1,610,947	4,711,329
Expenses			
Employee benefit costs	4	(959)	(1,035)
Other financial income/(expenses), net	5	(9,928)	(7,907)
Interest expenses	6	-	-
Other expenses	7	(8,597)	(8,969)
Total expenses		(19,484)	(17,911)
Profit before tax		1,591,463	4,693,418
Income tax expenses	15	(44,352)	(43,973)
Net profit attributable to equity holders		1,547,111	4,649,445

SECTION B – ZENTIVA N.V. COMPANY FINANCIAL STATEMENTS
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STATEMENT OF COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016	2015
Net profit/(loss) for the year		1,547,111	4,649,445
Other comprehensive income/(loss) for the year, net of tax		-	-
Total comprehensive income/(loss) for the year, net of tax		1,547,111	4,649,445

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SECTION B – ZENTIVA N.V. COMPANY FINANCIAL STATEMENTS
(ALL AMOUNTS IN CZK THOUSAND)

BALANCE SHEET AS AT 31 DECEMBER 2016

Balance Sheets as at 31 December	Notes	2016	2015
Assets			
Non-current assets:			
Investments in subsidiaries	8	15,089,931	15,089,221
Related party receivables, net	12	1,519,575	1,519,575
Total non-current assets		16,609,506	16,608,796
Current assets:			
Related parties receivables	12	-	-
Credit/Debit line with Sanofi	13	6,785,055	5,231,206
Cash and cash equivalents	9	2,512	7,000
Total current assets		6,787,567	5,238,206
Total assets		23,397,073	21,847,002
Equity and liabilities			
Equity			
Share capital	10	13,353	13,353
Share premium	10,11	7,931,658	7,931,658
Retained earnings	11	15,445,661	13,898,550
Total equity		23,390,672	21,843,561
Current liabilities:			
Accounts payables		799	413
Related party payables	12	317	55
Accruals and other current liabilities	14	5,285	2,973
Total current liabilities		6,401	3,441
Total liabilities and equity		23,397,073	21,847,002

SECTION B – ZENTIVA N.V. COMPANY FINANCIAL STATEMENTS
(ALL AMOUNTS IN CZK THOUSAND)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
Cash flows from operating activities:		
Profit before tax	1,591,463	4,693,418
Adjustment for:		
Dividend income	(1,437,249)	(4,539,332)
Net interest income	(173,698)	(171,997)
Other non-cash (gains)/charges, net	9,500	7,704
Operating cash flows before working capital changes	(9,984)	(10,207)
Changes in:		
Accounts receivables	-	977
Accounts payables and other current liabilities	2,960	1,047
Cash generated from/(used in) operations	(7,024)	(8,183)
Interest paid	-	-
Net cash flows used in operating activities	(7,024)	(8,183)
Cash flows from investing activities:		
Capital contributions/Acquisitions	(710)	(65)
Disposals of subsidiary	-	-
Settlement of financial derivatives	6,198	20,070
Dividends received	1,377,199	4,467,585
Interest received	173,698	171,997
Net cash flows from/(used in) provided by investing activities	1,556,385	4,659,587
Cash flows from financing activities:		
Proceeds from/(payments of) borrowings	-	-
Net change in Credit/Debit line with Sanofi	(1,553,849)	(4,651,448)
Dividends paid	-	-
Net cash flows from/(used in) financing activities	(1,553,849)	(4,651,448)
Net increase/(decrease) in cash and cash equivalents	(4,488)	(44)
Cash and cash equivalents at the beginning of the year	7,000	7,044
Cash and cash equivalents at the end of the year	2,512	7,000

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SECTION B – ZENTIVA N.V. COMPANY FINANCIAL STATEMENTS
(ALL AMOUNTS IN CZK THOUSAND)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to equity holders of the Company			
	Share capital	Share premium	Retained earnings	Total
Balance as at 31 December 2014	13,353	7,931,658	9,249,105	17,194,116
Net profit/(loss) 2015	-	-	4,649,445	4,649,445
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss) 2015	-	-	4,649,445	4,649,445
Dividends paid	-	-	-	-
Balance as at 31 December 2015	13,353	7,931,658	13,898,550	21,843,561
Net profit/(loss) 2016	-	-	1,547,111	1,547,111
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss) 2016	-	-	1,547,111	1,547,111
Dividends paid	-	-	-	-
Balance as at 31 December 2016	13,353	7,931,658	15,445,661	23,390,672

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SECTION B – ZENTIVA N.V. COMPANY FINANCIAL STATEMENTS
(ALL AMOUNTS IN CZK THOUSAND)

1. CORPORATE INFORMATION

Zentiva N.V. was incorporated as a private limited liability company (besloten vennootschap) on 29 April 1998 with its registered seat in Amsterdam, the Netherlands. In a resolution from 21 May 2004, the shareholders resolved to convert Zentiva B.V. into Zentiva N.V. ("the Company"), a public limited liability company (naamloze vennootschap). The Company is the parent company of Zentiva Group ("the Group"), which is primarily engaged in the production, development and sales of generic pharmaceuticals, including pharmaceutical chemicals and packaging materials for pharmaceutical products.

The sole shareholder of the Company as at 31 December 2016 and 2015 is Sanofi-Aventis Europe S.A.S., 54, Rue La Boétie, 75008 Paris, France. As of 18 March 2010, Sanofi-Aventis Europe S.A.S. has 100% of the shares of the Company after a squeeze out.

The directors of the Company as at 31 December 2016 were Mr. Jean-Marie Arnaud and Mr. Pieter Wester Oldenziel. On 31 August 2017, Mr. Jean-Marie Arnaud resigned as chairman of the board and as director of the Company, and Ms. Colette Mutschler was appointed as director of the Company. The Board of Directors appointed Ms. Colette Mutschler as chairman of the board on 1 September 2017.

Effective as of from 6 March 2015 Mr. Mehdi Patrick Lahnech replaced Mr. Hermés Joffrey Martet as proxy holder of the Company.

As from 1 September 2017, Mr. Gildas Perrillon replaced Mr. Mehdi Patrick Lahnech as proxy holder of the Company.

The Company did not prepare the consolidated financial statements for the year ended 31 December 2016 as the financial statements of Zentiva N.V. and its subsidiaries are consolidated into the financial statements of Sanofi, the Company's ultimate parent. The Company uses the exemption option as laid down in IFRS 10.4 as well as in Article 408, Part 9, Book 2 of the Dutch Civil Code. Under this option, the Company may refer to the annual report of its ultimate parent company, which includes the Company and its subsidiaries on a consolidated basis, rather than prepare consolidated financial statements of the Company and its subsidiaries. A copy of the consolidated financial statements of Sanofi for the year ended 31 December 2016 is filed at the Trade Register of Paris, under the registration number 395 030 844. A copy of the consolidated financial statements of Sanofi for the year ended 31 December 2016 is filed at the Trade Register of Amsterdam.

The financial statements of the Company for the year ended 31 December 2016 were authorized for issuance by the directors on 22 December 2017.

The financial statements of the Company for the year ended 31 December 2016 will be presented for approval at the general meeting of the Company.

SECTION B – ZENTIVA N.V. COMPANY FINANCIAL STATEMENTS
(ALL AMOUNTS IN CZK THOUSAND)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties. The principal accounting policies adopted are set out below.

The accounts of the Company are presented in thousands of CZK.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates. Following accounting policies and disclosures specifically address any significant estimates or changes in assumptions that had an effect on the reported amounts.

b) Changes in accounting policies

During the current year the Company adopted all the new and revised IFRS, which are relevant to its operations and are effective for accounting periods commencing on 1 January 2016. The adoption of these standards did not have a material effect on the financial statements.

c) Standards, Interpretations and Amendments to published standards that are issued but not yet effective

Up to the date of approval of the financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted. These are expected to have no significant impact on the Company’s financial statements when they become effective.

d) Functional and presentation currency

Based on the primary economic environment in which the Company operates and taking into account the other factors as described in IAS 21, the functional currencies for Zentiva N.V. is CZK (Czech crown).

e) Foreign currency translation

Transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the respective functional currency at the exchange rate as of balance sheet date. All differences are taken to the statement of income as other financial income/(expenses), net.

f) Investments in subsidiaries

All investments are accounted at cost.

The carrying amounts of investments are reviewed at each balance sheet date to assess whether there is any indication that investments may be impaired or whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. The recoverable amount is estimated as the higher of fair value less costs of disposal and value in use.

SECTION B – ZENTIVA N.V. COMPANY FINANCIAL STATEMENTS
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Where carrying values exceed the estimated recoverable amount the impairment loss is recognized to reduce the carrying amount to its recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in estimate used to determine the asset's recoverable amount since the last impairment loss was recognized. Such reversal is recognized to profit or loss and the recoverable amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognized.

g) Financial assets

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category is the most relevant to the company. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans or other operating expenses for receivables.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

i) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The financial liabilities include trade and other payables and derivative financial instruments. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest expense in the statement of profit or loss.

j) Revenues

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales related taxes. The following specific recognition criteria must also be met before revenue is recognized.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

SECTION B – ZENTIVA N.V. COMPANY FINANCIAL STATEMENTS
(ALL AMOUNTS IN CZK THOUSAND)

Dividend income from investments is recognized on the gross basis when the shareholders' rights to receive payment have been established. The withholding tax on dividends is classified as income tax in the statement of income/(loss).

Deferred revenue basis for the recognition is as follows. In 2008 the Company sold 75 % of their shares of Zentiva a.s. (now called Zentiva, k.s.) for CZK 8,140 million to Zentiva Group a.s. which was settled by an interest bearing intercompany loan (with maturity date October 2, 2028). As a result, the income of CZK 6,207 million has been deferred since realization of profit has not taken place in accordance with IAS 18. Zentiva Group, a.s. has the possibility to repay the loan on an earlier date as the maturity date, in which case a proportionate part of the deferred profit can be taken. As at 31 December 2017 the balance of deferred income amounts to CZK 4,880 million.

k) Taxes

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 tax rates that have been enacted or substantively enacted at the balance sheet date.

l) Employee benefits, share based payments

The Company does not operate any private pension scheme or post retirement benefit plan, and consequently, has no legal or constructive obligation to make contributions to any such funds.

The Company currently does not grant rights to equity instruments by means of share option plans as consideration for the services rendered by both its employees and its subsidiaries employees.

m) Contingencies

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

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

n) Derivative financial instruments

The Company is involved in the Sanofi cash-management structures organized by the ultimate parent company. The Company may elect to enter into intragroup foreign exchange hedging transactions with the Holding company (Sanofi) for the purposes of hedging foreign exchange exposures incurred or likely to be incurred. The Company does not apply hedge accounting. 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 or loss for the accounting period as financial income or financial expenses.

o) Subsequent events

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are

SECTION B – ZENTIVA N.V. COMPANY FINANCIAL STATEMENTS
(ALL AMOUNTS IN CZK THOUSAND)

disclosed in the notes when material.

3. INTEREST INCOME

The interest income charged to statement of income consists of:

	2016	2015
Interest income from related parties (Note 12)	173,698	171,997
Total	173,698	171,997

4. EMPLOYEE BENEFIT COSTS

	2016	2015
Wages, salaries and other benefits	803	878
Social securities	156	157
Pension costs	-	-
Total	959	1,035

The Company does not operate a private pension plan, nor awards pension benefits to its employee.

5. OTHER FINANCIAL INCOME/(EXPENSES), NET

	2016	2015
Foreign currency exchange differences	(15,721)	(27,629)
Gain/(loss) on Intragroup foreign exchange derivative transactions	6,198	20,070
Bank charges	(406)	(348)
Total	(9,928)	(7,907)

6. INTEREST EXPENSES

The interest expense charged to statement of income consists of:

	2016	2015
Interest expense from related parties (Note 12)	-	-
Interest expense from loans	-	-
Total	-	-

7. OTHER EXPENSES

Other expenses for the years ended 31 December 2016 and 2015 mainly comprise of legal (including legal costs relating to the squeezed-out minority shareholder's claim on remuneration for the squeezed out shares), audit, tax, and other advisory services, as well as insurance costs and financial services invoiced by Zentiva Group, a.s. .

The remuneration of the auditors, as required by section 382a Book 2 of the Dutch Civil Code, amounts to CZK 1,000 thousand in 2016 excluding VAT (CZK 1,000 thousand excluding VAT in 2015). This entirely relates to audit services performed by Ernst & Young Accountants LLP (the Netherlands) and Ernst & Young Audit, s.r.o (Czech Republic) in respect of the financial statements and group reporting. The total fee is split CZK 275 thousand (CZK 275 thousand in 2015) for Ernst & Young Accountants LLP and CZK 725 thousand (CZK 725 thousand in 2015) for Ernst & Young

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Audit s.r.o. No other services have been provided by any Ernst & Young firm or related companies to the Company in 2016.

8. INVESTMENTS IN SUBSIDIARIES

Investee	Country	31 December 2016		31 December 2015		% of ownership in	
		Cost of acquisition	Book value	Cost of acquisition	Book value	2016	2015
Zentiva k.s., Prague*	Czech Republic	766,645	766,645	766,645	766,645	25.00	25.00
Zentiva Group a.s., Prague	Czech Republic	1,892,034	1,892,034	1,892,034	1,892,034	100.00	100.00
Zentiva a.s., Bratislava	Slovak Republic	3,684,169	3,684,169	3,683,459	3,683,459	98.89	98.89
Venoma Holdings Limited	Cyprus	2,608,736	2,608,736	2,608,736	2,608,736	100.00	100.00
Zentiva S.A. **	Romania	1,141,540	1,141,540	1,141,540	1,141,540	23.93	23.93
Zentiva Sağlık Ürünleri	Turkey	15,805,872	4,996,807	15,805,872	4,996,807	99.85	99.85
Total Investments		25,898,996	15,089,931	25,898,286	15,089,221	-	-

* Zentiva Group, a.s. holds 75% share in Zentiva, k.s.

** The Company has control through the Venoma Holdings Limited 50.98% share in Zentiva S.A.

Investment in Turkey – impairment testing

As at 31 December 2016 and 2015, the Company tested its investment in Zentiva Sağlık Ürünleri for impairment. As a result of the impairment testing the Company retains carrying value (adjusted for impairment losses in previous periods) unchanged as at 31 December 2016 and 2015. When estimating the value in use the Company uses the Weighted Average Cost of Capital (WACC) as basis for discounting future expected cash flows. The Company assumes that the cost of capital is derived from the financing capacity of Sanofi Group, however the country specificities are taken into account.

The assumptions used in the DCF model are following:

- Valuation currency is Euro (translation to Euro is based on the expected exchange rate development based on Purchasing Power Parity theory),
- Mid-year discounting is applied,
- Yearly forecasts for first 10 years are prepared and then terminal growth rate 0,5% (2015: 1%) is applied (perpetuity calculation),
- WACC 9,5% (2015: 10%).

Winthrop Ilac A.S. (TR) was merged to Zentiva Sağlık Ürünleri in April 2014.

Investments in Romania – impairment testing

The Company holds 74,91% stake in Zentiva S.A. (directly 23,93% and indirectly 50,98% through Venoma Holding limited).

As at 31 December 2016 and 2015, the Company tested its investments in Romania for impairment. When estimating the value in use the Company uses the Weighted Average Cost of Capital (WACC) as basis for discounting future expected cash flows. The Company assumes that the cost of capital is derived from the financing capacity of Sanofi Group, however the country specificities are taken into account. The Company also prepared impairment analysis based on the market price of Bucharest Stock Exchange quoted Zentiva S.A. shares.

The assumptions used in the DCF model are following:

- Valuation currency is Euro (translation to Euro is based on the expected exchange rate development based on Purchasing Power Parity theory),
- Mid-year discounting is applied,
- Yearly forecasts for first 10 years are prepared and then terminal growth rate 1,5% (2015: 1,5%) is applied (perpetuity calculation),
- WACC 9,0% (2015: 9,5 %).

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(ALL AMOUNTS IN CZK THOUSAND)

As a result of the impairment testing, the Company did not identify an impairment for its investments in Zentiva S.A. (RO) nor in Venoma Holdings Limited (CY) as at 31 December 2016 and 2015.

Investment in Slovakia

In 2016 the stake in Zentiva, a.s. remains unchanged (98.89%) as the impact of minorities payout was limited.

On 20 November 2012, Zentiva a.s. entered into agreement with Wood Pharma Holding a.s. to sell its Hlohovec production facility. According to the agreement Wood Pharma Holding acquires Hlohovec's Active Pharma Ingredient and drug production, packaging and distribution activities. The Sale of a Part of the Enterprise includes a transfer of the production facilities, employees and selected trademarks. Zentiva and Wood Pharma Holding also entered into agreements about future co-operation, covering purchase of drug products and Active Pharmaceutical Ingredients produced by Wood Pharma Holding in Hlohovec in the next five years. All contracts were subject to several conditions precedent. The divestment of the factory in Hlohovec was conducted with a view to ensure sustainability of the plant and its employees as well as availability of high quality affordable medicines produced by the site. On 25 March 2013 all conditions precedent were fulfilled, Zentiva, a.s. and Wood Pharma Holding a.s. signed the Agreement on the Sale of a Part of the Enterprise in Zentiva, a.s. and the whole divestment transaction became thus effective. The transaction did not require an adjustment of the book value of the subsidiary.

The Company assessed its investment in Slovakia for impairment as at 31 December 2016 and 2015. As a result of these impairment analysis, the Company did not identify an impairment for its investment in Zentiva, a.s.

Investments in the Czech Republic

The Company assessed its investments in the Czech Republic for impairment as at 31 December 2016 and 2015. As a result of these impairment analysis, the Company did not identify an impairment for its investments in Zentiva, k.s. and Zentiva Group, a.s.

9. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash at bank	2,512	7,000
Total cash and cash equivalents	2,512	7,000

10. SHARE CAPITAL AND SHARE PREMIUM

	31 December 2016	31 December 2015
Share Capital	13,353	13,353
Share Premium	7,931,658	7,931,658
Total Number of Ordinary Shares at 31 December	42,803,875	42,803,875
Total Number of Shares Issued at 31 December	42,803,875	42,803,875

The authorized Euro denominated share capital as at 31 December 2016 and 2015 amounted to EUR 1,400,000, of which at 31 December 2016, 42,803,875 shares (42,803,875 shares as at 31 December 2015) of EUR 0.01 each were issued and paid up. The issued share capital translated using the exchange rate as of 31 December 2016 amounts to CZK 11,566 thousand (CZK 11,568 thousand as at 31 December 2015). In the Company's financial statements the issued share capital is stated at historical exchange rate of CZK 13,353 thousand.

11. RETAINED EARNINGS/DIVIDENDS PAID AND PROPOSED

Retained earnings available for distribution are based on the financial statements of the Company prepared in accordance with International Financial Reporting Standards as adopted by EU and with Part 9 of the Book 2 of the Dutch Civil Code. The distributable reserves as at 31 December 2016 and 2015 amount to CZK 23,377,319

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thousand and CZK 21,830,208 thousand, respectively.

No dividend was paid during the year 2016 and 2015. The Board of Directors has recommended to the shareholders that the Company pays no dividend for 2016. This proposal will be subject to shareholder approval at the extraordinary general meeting.

12. RELATED PARTY DISCLOSURES

In 2008 the Group performed a restructuring project. A new company, Zentiva Group, a.s. was established via the spin-off process from the Czech production entity Zentiva, a.s. (Prague). Subsequently, a 75% stake in Zentiva, a.s. Prague was sold from Zentiva N.V. to the Zentiva Group, a.s. Zentiva Group, a.s. undertook to repay the purchase price in the amount of CZK 8,139,715 thousand on 2 October 2028 at the latest and to pay to Zentiva N.V. interest on a quarterly basis in the amount of 3-month PRIBOR plus agreed margin. Interest income for the year ended 31 December 2016 amounts to CZK 164,619 thousand (CZK 167,413 thousand in 2015). As at 31 December 2016 the purchase price receivable amounts to CZK 6,400,000 thousand (CZK 6,400,000 thousand as at 31 December 2015). Profit from the sale of shares amounts to CZK 4,880,425 thousand was recognized as deferred as at 31 December 2016 (CZK 4,880,425 thousand as at 31 December 2015). On the face of the balance sheet the purchase price receivable is netted with the deferred profit.

As at 31 December 2016 the payables towards Zentiva Group, a.s. were in the amount of CZK 317 thousand (CZK 55 thousand as at 31 December 2015). As at 31 December 2016 expenses for financial and consultation services provided by Zentiva Group, a.s. amounted to CZK 162 thousand (CZK 162 thousand in 2015).

As at 31 December 2016 the Company dividend income amounted to CZK 1,437,249 thousand (CZK 4,539,332 thousand in 2015).

The Company has a Credit and Debit line with Sanofi which was opened in June 2009 in order to refinance the syndicate loan (see note 13). As at 31 December 2016 the positive balance on the Credit and Debit line amounted to CZK 6,785,055 thousand (CZK 5,231,206 thousand as at 31 December 2015) and the interest income was CZK 9,080 thousands (CZK 4,584 thousand in 2015).

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Disclosure for subsidiaries and indirect subsidiaries and transactions with sanofi as of 31 December 2016:

Related party	Income and expenses				Receivables/Payables		Deferred profit from shares sale to Zentiva Group*	Loans	
	Dividend income	Other expenses	Interest income	Interest expense	Amounts owed by related parties	Amounts owed to related parties		Amounts owed by related parties (interest included)	Amounts owed to related parties (interest included)
Zentiva k.s., Prague	198,732	-	-	-	-	-	-	-	-
Zentiva Group, a.s. *	-	(162)	164,619	-	-	317	4,880,425	6,400,000	-
Zentiva a.s., Bratislava	517,654	-	-	-	-	-	-	-	-
Zentiva S.A.	57,877	-	-	-	-	-	-	-	-
Venoma Holding	219,470	-	-	-	-	-	-	-	-
Zentiva Saglık	-	-	-	-	-	-	-	-	-
Ürünleri	443,516	-	-	-	-	-	-	-	-
Sanofi	-	-	9,080	-	-	-	-	6,785,055	-
Total	1,437,249	(162)	173,699	-	-	317	4,880,425	13,185,055	-

* On the face of the balance sheet the purchase price receivable (CZK 6,400,000 thousand) is netted with the deferred profit (CZK 4,880,425 thousand).

Disclosure for subsidiaries and indirect subsidiaries and transactions with sanofi as of 31 December 2015:

Related party	Income and expenses				Receivables/Payables		Deferred profit from shares sale to Zentiva Group*	Loans	
	Dividend income	Other expenses	Interest income	Interest expense	Amounts owed by related parties	Amounts owed to related parties		Amounts owed by related parties (interest included)	Amounts owed to related parties (interest included)
Zentiva k.s., Prague	142,276	-	-	-	-	-	-	-	-
Zentiva Group, a.s. *	2,700,000	(162)	167,413	-	-	55	4,880,425	6,400,000	-
Zentiva a.s., Bratislava	960,355	-	-	-	-	-	-	-	-
Zentiva S.A.	104,149	-	-	-	-	-	-	-	-
Venoma Holding	192,819	-	-	-	-	-	-	-	-
Zentiva Saglık	-	-	-	-	-	-	-	-	-
Ürünleri	439,733	-	-	-	-	-	-	-	-
Sanofi	-	-	4,584	-	-	-	-	5,231,206	-
Total	4,539,332	(162)	171,997	-	-	55	4,888,425	11,631,206	-

* On the face of the balance sheet the purchase price receivable (CZK 6,400,000 thousand) is netted with the deferred profit (CZK 4,880,425 thousand).

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Disclosure for other related parties of the Company as of 31 December 2016:

Related party	Expenses	Interest expense	Amounts owed by related parties	Amounts owed to related parties	Amounts owed to related parties (interest included)
Intertrust (Netherlands) B.V. *	1,243	-	-	715	-
Becom Management B.V. *	324	-	-	-	-
Intertrust Management B.V. *	65	-	-	-	-
Total	1,632	-	-	715	-

* Intertrust (Netherlands) B.V. is an external agency hired in the Netherlands from which the Company outsources general administration at the Zentiva Headquarters. Becom Management B.V. is an entity providing rent office space and is whole owned by Intertrust (Netherlands) B.V. Intertrust Management B.V. is proxyholder of the Company.

Disclosure for other related parties of the Company as of 31 December 2015:

Related party	Expenses	Interest expense	Amounts owed by related parties	Amounts owed to related parties	Amounts owed to related parties (interest included)
Intertrust (Netherlands) B.V. *	441	-	50	-	-
Becom Management B.V. *	328	-	-	-	-
Intertrust Management B.V. *	67	-	-	-	-
Total	836	-	50	-	-

* Intertrust (Netherlands) B.V. is an external agency hired in the Netherlands from which the Company outsources general administration at the Zentiva Headquarters. Becom Management B.V. is an entity providing rent office space and is whole owned by Intertrust (Netherlands) B.V. Intertrust Management B.V. is proxyholder of the Company.

All transactions with related parties are at arm's length.

Remuneration of directors and management

The annual salary and social security costs of the manager that was employed by Zentiva N.V. as at 31 December 2016 are in total CZK 1,0 million (CZK 1,0 milion in 2015), usually denominated in EUR. The annual salary and other remuneration of directors amounts to CZK 0 (CZK 0 in 2015).

Other

As at 31 December 2016 and 2015 directors and managers of the Company held no shares of the Company.

13. CREDIT/DEBIT LINE WITH SANOFI

As at 31 December 2016 and 2015, the Company has a Credit and Debit line (intercompany current account) with Sanofi denominated in CZK and balance was positive in both years. The interest rate is 1 M PRIBOR + 5 bp in case of positive balance or 1 M PRIBOR – 15 bp in case of negative balance and accrued interests are credited to (debited from) that facility. No debts covenants are applicable. Repayment of withdrawals from the facility depends on Zentiva N.V. financing needs. The facility is for an indefinite period of time and can be terminated by either party on demand, with a minimum thirty business days prior notice.

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14. ACCRUALS AND OTHER CURRENT LIABILITIES

Major components of accruals and other current liabilities for the years ended 31 December 2016 and 2015 are as follows:

	2016	2015
Outstanding invoices and accrued expenses	2,123	1,539
Provision for legal costs	2,910	1,302
Wages and other employee payables	-	38
Social security and taxes payable	252	94
Total	5,285	2,973

Outstanding invoices and accrued expenses as of 31 December 2016 and 2015 are mainly composed of audit fees.

15. TAXES

Income taxes for the years ended 31 December 2016 and 2015 comprise of withholding tax on Turkish dividends in the amount of CZK 44,352 thousand (2015: CZK 43,973 thousand).

The reconciliation of income tax expense applicable to profit from operating activities to the income tax expense at the Company's effective income tax rate for the years ended 31 December was as follows (in CZK thousand):

	2016	2015
Profit before tax	1,591,463	4,693,418
Tax at the domestic rate applicable to profit	395,079	1,165,051
Less -dividends (exempt)	(356,795)	(1,126,802)
Impairment subsidiary	-	-
Deferred profit realization	-	-
Subsidiary liquidation (exempt)	-	-
Other non-deductible expenses	30	30
Income tax expense excluding withholding taxes	38,314	38,279
Deduction of tax loss carry forward	(38,314)	(38,279)
Withholding tax on dividends	44,352	43,973
Total income tax expense	44,352	43,973

The applicable income tax rate remained almost unchanged between 2015 and 2016 and was 24.82%. The total amount of accumulated unrecognized tax losses in Zentiva N.V. as of 31 December 2016 and 2015 is estimated by management at CZK 875,209 thousand and CZK 1,029,545 thousand, respectively. The possible deferred tax asset for the mentioned tax losses calculated at 25.0% tax rate would amount to CZK 218,802 thousand and CZK 257,386 thousand respectively. As the level of their utilization cannot be assessed with reasonable certainty, the management decided to treat such losses as permanent differences in the standalone financial statements and no deferred tax asset has been recorded in this respect.

As at 31 December 2016 the Company has the following loss carry forwards:

Taxable period:	Amount:	Available until:
2008	CZK 230,097 thousand	2017
2009	CZK 645,112 thousand	2018

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16. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Company's principal financial liabilities, other than derivatives, comprise related parties payables and accounts payables. The Company has various financial assets such as related party receivables, credit/debit line with Sanofi and cash and cash equivalents, which arise directly from its operations.

The main risks arising from the Company's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The risk analysis is assessed with the help of risk map which is updated on a regular basis.

During 2016 the Company has assessed finance end-to-end process as part of a new global internal control framework rolled out in the Sanofi Group. The results of assessment are reported and actions are monitored by Sanofi Corporate to reduce the existing exposure in case of gaps

Interest rate risk

The Company has a Credit and Debit line (current account) with Sanofi and as at 31 December 2016 the positive balance amounted to CZK 6,785,055 thousand (CZK 5,231,206 thousand as at 31 December 2015). Given this fact the Company's exposure to the risk of changes in market interest rates is limited to the exposure regarding the variable interest on the loan to Zentiva Group and on the Credit/Debit line with Sanofi.

Foreign currency risk

From 30 June 2009, 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 the Holding company (Sanofi). The Company may elect to enter into intragroup foreign exchange hedging transactions with the Holding company (Sanofi) for the purposes of hedging foreign exchange exposures incurred or likely to be incurred. The Company does not apply hedge accounting. During the year 2016 and 2015 the Company entered into intragroup foreign exchange hedging transactions with the Sanofi to hedge dividend receivables.

The following table demonstrates the sensitivity to a reasonably possible change in the transaction currency exchange rate, with all other variables held constant, of the profit before tax (due to changes in the fair value of monetary assets and liabilities).

As at 31 December 2016

Transaction currency	Effect on profit before tax	
	Increase in FX rate by + 1%	Increase in FX rate by - 1%
EUR	18	(18)
USD	28	(28)

As at 31 December 2015

Transaction currency	Effect on profit before tax	
	Increase in FX rate by + 1%	Increase in FX rate by - 1%
EUR	18	(18)
USD	27	(27)

Credit risk

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Receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is kept under control. Majority of transactions is with related parties where the risk of uncollectible receivables is minimal. The maximum exposure is the carrying amount as disclosed in the balance sheet and relevant disclosures.

With respect to the credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and certain derivative instruments, the exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company had no outstanding derivative contracts as at 31 December 2016 and 31 December 2015.

Liquidity risk

The Company uses a standard Sanofi group tool called "TREMA" to monitor risk of a shortage of funds and overall estimated cash position.

The objective is to maintain a balance between continuity of funding and flexibility through the use of intercompany loans or bank overdrafts. The table below summarises the maturity profile of financial liabilities at year-end based on contractual undiscounted payments.

Year ended 31 December 2016

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Accounts Payable	360	439	-	-	799
Intercompany Credit/(Debit) line with Sanofi*	-	-	-	-	-
Other intercompany payables	-	317	-	-	317

* Credit and Debit line with Sanofi is on demand basis and accrued interest is credited to (debited from) that facility. Repayment of the facility depends on Zentiva N.V. financing needs. As at 31 December 2016 there was a positive balance on Credit and Debit line with Sanofi.

Year ended 31 December 2015

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Accounts Payable	380	33	-	-	413
Intercompany Credit/(Debit) line with Sanofi*	-	-	-	-	-
Other intercompany payables	-	55	-	-	55

* Credit and Debit line with Sanofi is on demand basis and accrued interest is credited to (debited from) that facility. Repayment of the facility depends on Zentiva N.V. financing needs. As at 31 December 2015 there was a positive balance on Credit and Debit line with Sanofi.

Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

No changes were made in the policies or processes during the years ended 31 December 2016 and 31 December 2015.

Fair values

As of 31 December 2016 and 2015 the maturity date of current assets, liabilities is less than three months and therefore the carrying value is approximately equal to their fair value. The intercompany Credit and Debit line provided by Sanofi is on demand and therefore the carrying value approximates the fair value.

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(ALL AMOUNTS IN CZK THOUSAND)

17. FINANCIAL INSTRUMENTS

The Company may elect to enter into intragroup foreign exchange hedging transactions with the Holding company (Sanofi) for the purposes of hedging foreign exchange exposures incurred or likely to be incurred. The Company does not apply hedge accounting (for P&L impact see note 5). The Company had no outstanding derivative contracts as of 31 December 2016 and 31 December 2015.

18. EVENTS AFTER THE BALANCE SHEET DATE

No material change in activities is contemplated for the coming year.

The annual general meeting of the Company was held on 15 May 2017. In this meeting it was decided to extend the period for the preparation of the financial statements for the year ended on 31 December 2016 with five months up to a maximum of ten months after the end of the financial year 2016. No other matters were discussed during this meeting.

On October 28, 2016, Sanofi announced a decision to initiate a carve-out process in order to divest its Generics business in Europe within 12-24 months. Sanofi will be looking for a potential acquirer that will leverage the mid and long-term sustainable growth opportunities for this business. Significant preparation time will be required to enable an optimal separation that is expected to take place in 2018.

In 2017 Half-Year Financial Report Sanofi stated: „We have been examining all options for our Generics business in Europe, and have committed to a phased withdrawal from this business that we expect to be complete by the end of 2018“.

This event has no financial effect on the 2016 financial statements.

Furthermore, management is not aware of any other events that have occurred since the balance sheet date that could have a significant influence on expectations concerning future activities, investments, financing, staffing and profitability.

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Amsterdam/Paris,

Colette Mutschler

Director

Appointed 31 August 2017

Pieter Wester Oldenzien

Director

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Section C

Other Information

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SECTION C – ZENTIVA N.V. OTHER INFORMATION
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ARTICLES OF ASSOCIATION PROVISIONS GOVERNING PROFIT APPROPRIATION

In accordance with Article 19 of the articles of association of the Company, the result for the year is at the disposal of the general meeting.

SECTION C – ZENTIVA N.V. OTHER INFORMATION
(ALL AMOUNTS IN CZK THOUSAND)

To: the Shareholders of Zentiva N.V.

AUDITOR'S REPORT