

Zentiva S.A.

Financial statements

FOR THE YEAR ENDED

31 DECEMBER 2015

Prepared in accordance with Order of the Minister of Public Finance no.
1286/2012 approving the accounting regulations compliant with the
International Financial Reporting Standards

Translation of the Company's financial statements and management report
issued in the Romanian language.

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For the year ended 31 December 2015
(amounts are expressed in RON, unless specified otherwise)

	Note	2015	2014
			RON
Sales of goods	5.1	358,028,061	346,785,771
Rendering of services	5.1	37,389,469	45,515,353
Rental income		-	61,136
Other Income		1,407,063	1,710,363
Turnover	5.1	396,824,593	394,072,623
Other operating income	6.1	5,819,264	4,787,132
Changes in inventories of finished goods and work in progress		3,688,987	(1,992,416)
Raw materials and consumables used	5.2	(183,414,574)	(184,098,077)
Employee benefits expenses	6.5	(48,877,863)	(48,177,893)
Depreciation, amortization and impairment		(10,644,924)	(8,796,016)
Marketing and advertising expenses	6.8	(14,603,636)	(12,708,767)
Rental expenses		(3,606,050)	(3,953,007)
Provisions	17	(9,859,766)	(5,382,530)
Other operating expenses	6.2	(74,372,163)	(69,410,235)
Operating profit		61,153,868	64,341,013
Financial Income	6.4	424,684	963,858
Financial Expenses	6.3	(1,596,883)	(858,028)
Profit before tax		59,981,669	64,446,843
Income Tax Expense	7.1	(13,785,708)	(9,884,957)
Profit after tax (A)		46,195,961	54,561,886
Other comprehensive income:			
Actuarial gains/losses in relation to employee benefits		9,000	(319,000)
Other comprehensive income net of tax (B)		9,000	(319,000)
Total income after tax (A) + (B)		46,204,961	54,242,886
Number of shares		416,961,150	416,961,150
Earnings per share (RON / share)		0.11081	0.13009

The financial statements on pages 3 to 54 were approved by the Board of Administration and were authorized for issue according to the Administrators' Decision of 24 March 2016.

Administrator,

Name and surname: Emmanuelle Valentin

Signature
Company stamp



Prepared by,

Name and surname: Georgeta Danu

Position: Chief Accountant

Signature
Registration number of professional organization

As at 31 December 2015
(amounts are expressed in RON, unless specified otherwise)

	Note	31 December 2015	31 December 2014
Assets			
Non-current assets			
Property, plant and equipment	9	98,655,303	96,179,069
Intangible assets	10	849,542	604,330
		99,504,845	96,783,399
Current assets			
Inventories	12	50,076,172	45,306,380
Trade and other receivables	13	230,055,524	207,817,826
Other financial assets		1,440	-
Cash and cash equivalents	14	7,372,756	38,551,002
		287,505,892	291,675,207
Total assets		387,010,737	388,458,606
Capital and reserves			
Share capital, including			
Issued share Capital	15.1	41,696,115	301,304,302
Inflation related to share capital		41,696,115	41,696,115
Share premium, including:	15.1	24,984,506	24,964,506
Share premium at nominal value		9,863,684	9,863,684
Inflation related to share premium		15,100,822	15,100,822
Legal and other reserves	15.2	98,513,760	114,270,874
Revaluation reserve		2,107,876	2,278,798
Retained earnings / (Accumulated Losses)	15.2	105,476,271	(146,144,988)
Total equity		272,758,528	296,873,494
Non-current liabilities			
Employee benefit liability	18	1,100,000	1,108,000
Other long - term liabilities		24,385	37,162
Deferred tax liability	7.2	1,598,027	1,636,472
Non-Current Provisions	17	9,232,557	10,936,345
Total Non - Current Liabilities		11,954,969	13,717,979
Current liabilities			
Trade accounts payable	19	49,667,644	40,116,037
Income taxes payable		3,809,385	899,112
Other current liabilities	19	26,130,040	25,725,367
Short-term provisions		22,690,171	11,326,617
Total current liabilities		102,297,240	78,067,133
Total liabilities		114,252,209	91,785,110
Total liabilities and equity		387,010,737	388,458,606

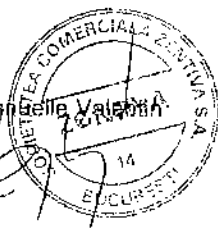
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Administrator,

Name and surname: Emmanuela Valeriu

Signature

Company stamp



Prepared by,

Name and surname: Georgeta Danu

Position: Chief Accountant

Signature

Registration number of professional organization

ZENTIVA SA
STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2015
(amounts are expressed in RON, unless specified otherwise)

2015

	Share capital	Share premium	Legal and other reserves	Revaluation reserve	Retained earnings	Total
Opening balance	301,304,302	24,964,508	114,270,874	2,278,798	(148,144,986)	296,873,484
Profit for the year	-	-	-	-	46,195,961	46,195,961
Other comprehensive income	-	-	-	-	9,000	9,000
Total other comprehensive income	-	-	-	-	9,000	9,000
Profit appropriation	-	-	-	-	-	-
Covering of hyper-inflation adjustment loss	(259,608,187)	-	-	-	259,608,187	-
Dividends distribution	-	-	(15,757,114)	-	(54,242,886)	(70,000,000)
Net impact from fixed asset revaluation	-	-	-	-	-	-
Corrections to retain earnings	-	-	-	(170,922)	50,985	50,985
Deferred tax impact	-	-	-	-	-	(170,922)
Closing balance	41,696,115	24,964,506	98,513,760	2,107,876	305,476,271	272,758,528

As at 1 January 2015, the values of share capital and share premium include the effect of hyper-inflation adjustments, as required by application of IAS 29. The Company is a first-time adopter of the International Financial Reporting Standards (IFRS) as endorsed by the European Union, with the exception of the provisions of IAS 21 *The Effects of Changes in Foreign Exchange Rates* on the functional currency and prepares financial statements in accordance with these standards as of the transition date, i.e. 1 January 2011. On 29 April 2015, the Shareholders General Meeting decided to cover the losses from hyper-inflation adjustments related to the share capital in an amount 259,608,187 from the retained earnings, as detailed in the table above. For additional details, see Note 15 *Issued Capital and Reserves*. Moreover, the Company distributed during the year dividends amounting to RON 70,000,000, representing the profit for the year ended 31 December 2014 (RON 54,242,886) and a part of the non-appropriated profit related to the financial years ended 31 December 2003 and 2004, respectively (RON 15,757,114) - For additional details, see Note 16 *Dividends Paid and Proposed*; the distribution of dividends was approved by the Shareholders General Meeting of 29 April 2015.

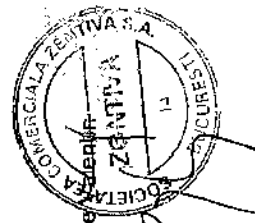
The financial statements on pages 3 to 54 were approved by the Board of Administration and were authorized for issue according to the Administrators' Decision of 24 March 2016.

Administrator,

Name and surname: *Emmanuel*

Signature 

Company stamp



Prepared by,

Name and surname: *Georgeta Danu*

Position: *Chief Accountant*

Signature 

Registration number of professional organization

ZENTIVA SA
STATEMENT OF CHANGES IN EQUITY
 as at 31 December 2015
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

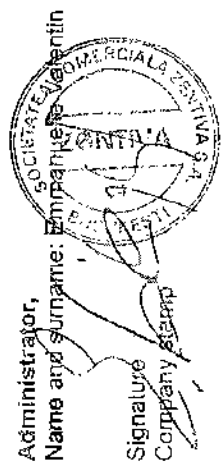
2014

	Share capital	Share premium	Legal and other reserves	Revaluation reserve	Retained earnings	Total
Opening balance	301,304,302	24,964,508	103,973,266	1,736,452	(159,913,913)	272,064,615
Profit for the year	-	-	-	-	54,561,886	54,561,886
Other comprehensive income	-	-	-	-	(319,000)	(319,000)
Total other comprehensive income	-	-	-	-	(319,000)	(319,000)
Profit appropriation	-	-	10,297,608	-	(10,297,608)	-
Dividends distribution	-	-	-	-	(30,000,000)	(30,000,000)
Net impact from fixed asset revaluation	-	-	-	542,346	-	542,346
Corrections to retain earnings	-	-	-	-	(125,311)	(125,311)
Deferred tax impact	-	-	-	-	51,040	51,040
Closing balance	301,304,302	24,964,508	114,270,874	2,278,798	(146,144,986)	296,673,496

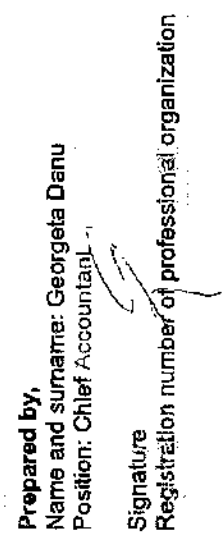
The values of share capital and share premium include the effect of hyper-inflation adjustments, as required by application of IAS 29. The Company is a first-time adopter of International Financial Reporting Standards (IFRS) as endorsed by the European Union, with the exception of the provisions of IAS 21 *The Effects of Changes in Foreign Exchange Rates* on the functional currency and prepares financial statements in accordance with these standards as of the transition date, i.e. 1 January 2011.

The financial statements on pages 3 to 54 were approved by the Board of Administration and were authorized for issue according to the Administrators' Decision of 24 March 2016.

Administrator,
 Name and surname: **Emilian Marin**
 Signature
 Company stamp



Prepared by,
 Name and surname: **Georgeta Danu**
 Position: **Chief Accountant**
 Signature
 Registration number of professional organization



For the years ended 31 December 2014 and 31 December 2015
(amounts are expressed in RON, unless specified otherwise)

	Note	31 December 2015	31 December 2014
Cash flows from operating activities:			
Profit before tax		59,981,869	64,446,843
Depreciation and amortization	9,10	10,644,924	8,796,016
Receivable allowance movement	13	(2,477,144)	2,458,476
Inventory allowance movement	12	7,840,233	(984,959)
Movements in provisions for risks and charges	17	9,659,766	5,382,530
(Gain) / loss on sale of property, plant and equipment		109,117	21,812
Pension liabilities expenses		113,000	97,000
Interest revenues	6,4	(260,044)	(635,470)
Operating profit before working capital changes		85,611,521	79,582,240
Change in Inventories		(12,610,025)	5,458,128
Change in trade and other receivable		(19,761,994)	(30,328,517)
Change in trade and other payable		6,124,717	331,478
Cash generated from/ (used in) operations		59,364,219	55,043,329
Income tax paid	7.1.	(11,084,803)	(13,581,620)
Employee benefits liabilities paid		(112,000)	(109,000)
Net cash from/ (used in) operating activities		48,167,416	41,352,709
Cash flows from investing activities			
Proceeds from sale of non-current assets		10,941	56,243
Purchase of property, plant and equipment	9,10	(13,486,427)	(14,069,562)
Interest received		260,044	635,478
Net cash used in investing activities		(13,215,442)	(13,377,841)
Cash flows from financing activities			
Dividends paid	16	(65,242,493)	(28,293,085)
Cash transferred for dividends payable to Central Depository		(887,727)	(296,396)
Net cash from/ (used in) in financing activities		(66,130,220)	(28,589,481)
Net increase (decrease) in cash and cash equivalents		(31,178,246)	(614,613)
Cash and cash equivalents at the beginning of the period 1 January (including advances for payment of dividends)		38,551,002	39,165,615
Cash and cash equivalents at the end of the period 31 December (including advances for payment of dividends)		7,372,756	38,551,002

The financial statements on pages 3 to 54 were approved by the Board of Administration and were authorized for issue according to the Administrators' Decision of 24 March 2016.

Administrator,

Name and surname: Emmanuelle Valentin

Signature
Company stamp



Prepared by,

Name and surname: Georgeta Danu
Position: Chief Accountant

Signature
Registration number of professional organization

ZENTIVA SA
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

1. CORPORATE INFORMATION

These financial statements of SC Zentiva SA (the "Company") for the year ended 31 December 2015 are authorized for issue in accordance with the Board of Administrators Decision dated 24 March 2016.

The Company, formerly named SICOMED S.A, Bucuresti ("Sicomed") was established in 1962 as Intreprinderea de Medicamente Bucuresti ("IMB") – "Bucharest Drug Company". The Company's current legal address is 50 Th. Pallady Blvd, Bucharest, The Company is registered with the Trade Register under number J40/363/1991.

In 1990 Sicomed became a joint-stock company, by incorporation and taking over of all assets and liabilities of the former Intreprinderea de Medicamente Bucuresti ("IMB") – "Bucharest Drug Company" in accordance with a Government Decision. The initial share capital was the result of the difference between the assets, including the specific revaluation of land and buildings contributed by the State to the Company, in accordance with the Government Decision, and the related liabilities.

In October 2005, a majority interest in the Company was acquired by Zentiva Group (a large pharmaceutical group operating in Central and Eastern Europe), through the acquisition of shares in Venoma Holdings Limited, Zentiva Group (through ownership of Venoma Holdings Limited Holding and Zentiva NV) has control over the Company's operations.

Starting with 24 January 2006, the Company changed its name from Sicomed SA into Zentiva SA.

Starting with 11 March 2009 a change occurred in the shareholder's structure at the Group level (Sanofi Aventis has acquired 97% of Zentiva NV – Company parent – shares).

The main activity of the Company consists in the production and trade of human drugs and medication.

Since 2007, following a decision taken by Zentiva Group, the Company has been operating all its sales through the Romanian branch, i.e., Zentiva International (entity incorporated in Slovakia) ("ZIRO") and as a result, the Romanian market (i.e. distributors) has been supplied with the Company's products through ZIRO. Starting with 1 October 2011 the sales are realized directly through Sanofi Romania SRL and, after this date, Ziro became a dormant entity which is to be liquidated.

The Company is listed on the Bucharest Stock Exchange.

The Company has no investments in subsidiaries or associates as of 31 December 2015. The company is being consolidated in the financial statements of its ultimate Parent, Sanofi.

2. BASIS OF PREPARATION

Statement of Compliance

The financial statements of the Company have been prepared in accordance with the provisions of Order of the Minister of Public Finance no. 1286/2012 approving the accounting regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with all subsequent modifications and clarifications. These provisions are aligned with the requirements of the International Financial Reporting Standards as endorsed by the European Union, with the exception of the provisions of IAS 21 The Effects of Changes in Foreign Exchange Rates regarding the functional currency. For the purposes of the preparation of these financial statements, in accordance to Romanian legislative requirements, the functional currency of the Company is deemed to be the Romanian Leu (RON).

For all periods up to and including the year ended 31 December 2011, the Company prepared its financial statements in accordance with Romanian generally accepted accounting practice (Romanian GAAP).

2.1 GOING CONCERN

These financial statements have been prepared on a going concern basis which assumes that the Company will continue in the foreseeable future. To evaluate the applicability of this assumption, the local management analyzed the forecasts of the future cash inflows.

As of 31 December 2015, the net assets of the Company are higher than the net liabilities by RON 185,208,652 (as of 31 December 2014, the net assets are higher than the net liabilities by RON 213,608,074). At the same date, the Company has a comprehensive income RON 46,204,961 (2014: RON 54,242,886).

The Budget for the year 2016 which was prepared by the management of the Company and approved by the Board of Administration indicates positive cash flows from the operating activities, an increase in sales and also, profitability. Based on this analysis, the local management consider that the Company will continue the activity in the next period and therefore the management has addresses the issue of appropriateness of the preparation of the financial statements under the going concern basis.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its financial statements:

a) Foreign currency translations

The Company's financial statements are presented in RON, which is also the Company's functional currency.

Transactions in foreign currencies are translated into RON by applying the exchange rates prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies at year-end are translated to RON at the exchange rates prevailing on that date. Realized and unrealized exchange gains and losses are charged to the income statement. The exchange rate RON/ USD as at December 31, 2015 and 2014 was RON 4.4177 RON / USD, and 3.6868 RON/USD, respectively. The exchange rate RON/ EUR as at December 31, 2015 and 2014 was RON 4.5245 RON / EUR, and RON 4.4281 RON / EUR, respectively.

Exchange rate differences, favorable or unfavorable between the exchange rate used at recognition date of the receivables or payables in foreign currency or the rate at which the assets or liabilities have been previously reported in financial statements and the exchange rate at the date of current financial statements are recognized under income statement as income or financial expenses, as appropriate.

2. BASIS OF PREPARATION (continued)

b) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty.

The Company assesses its revenue arrangements against specific criteria to determine whether it is acting as principal or agent. The Company has decided it acts as an agent in all of its revenue arrangements, excepting the ones below. Before the revenue is recognized the specific recognition criteria as detailed below must also be met.

The amounts collected by the Company on behalf of third parties and which are based on agreements for intermediation, agency, commercial mandate, concluded under the law, are not revenues from current activity because the gross economic benefit inflows include the amounts collected on behalf of the owner (beneficiary). Instead, only the applied commissions are revenues, because they are the actual revenues from current activity.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates

Rendering of services

Income from service rendering is recognized in the period in which they were delivered and according to the completion percentage. Revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate (EIR), EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in Romania.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. BASIS OF PREPARATION (continued)

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- ▶ When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:
- ▶ When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that 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 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 tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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.

Value added tax

Incomes, expenses and assets are recognized net of the amount of sales tax, except:

- ▶ When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ▶ When receivables and payables are stated at the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Property, plant and equipment

Initial recognition

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

2. BASIS OF PREPARATION (continued)

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

The cost of an item of property, plant and equipment comprises:

- a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Deemed cost as of the transition date (1 January 2011)

As of the transition date (31 December 2010), the Company used previous revaluations recorded under Romanian GAAP as its deemed cost on those dates for land and buildings, while it used historical cost adjustments for hyper-inflation for equipment.

The Company decided to measure equipment and machinery at the historical cost (hyper-inflated) less the accumulated depreciation and impairment.

Subsequent measurement

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the income statement, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve (in accordance with IAS 16). Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings

Depreciation method

Depreciation is calculated:

- ▶ On a straight-line basis for buildings, noncurrent assets purchased under a financial lease and noncurrent assets in use at December 31st 1997;
- ▶ On a reducing balance method for property plant and equipment acquired or put in function after January 1st 1998

Useful lives

The economic useful life use is the period of time over which an asset is expected to be available for use by an entity. Economic useful lives for property, plant and equipment have been assessed by specialized employees. Depreciation is calculated on a straight-line basis or reducing balance, over the whole useful life of asset

2. BASIS OF PREPARATION (continued)

Land is not depreciated.

The average useful lives for the categories of Property, plant and equipment, are as follows:

▶ Buildings	30-50 years
▶ Production equipment	5-20 years
▶ Transport vehicles	5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

e) Lease contracts

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company, are capitalized at the commencement 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 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 recognized in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2. BASIS OF PREPARATION (continued)

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit and loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement as the expense category that is consistent with the function of the intangible assets.

- ▶ Software 3 years
- ▶ Research and development cost 3 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- ▶ The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- ▶ Its intention to complete the intangible assets and its ability to use or sell the asset;
- ▶ How the intangible asset will generate future economic benefits;
- ▶ The availability of resources to complete the intangible asset;
- ▶ The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Patents, licenses and trademarks

Patents, licenses and trademarks are recognized as intangible assets and measured according to the useful life (finite – amortized, indefinite – tested for impairment).

2. BASIS OF PREPARATION (continued)

g) Financial instruments – initial recognition and subsequent measurement

1) Financial assets

Initial recognition and measurement

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

Purchases or sales of financial assets that require delivery within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the income statement.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. The Company has not designated any financial assets at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the EIR method, less impairment. Amortized 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 amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

2. BASIS OF PREPARATION (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- ▶ The rights to receive cash flows from the asset have expired.
- ▶ The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- ▶ When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.
- ▶ Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2) Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The carrying amount of the financial asset is decreased by the depreciation loss, directly for all financial assets, except for trade receivables, case in which the carrying amount is reduced by using an impairment adjustment account. If a receivable is considered non-recoverable, it is eliminated and deducted from the adjustment for impairment. Subsequent recoveries of the amounts eliminated previously are credited in the adjustment for impairment account. The changes of the carrying amount in the adjustment for impairment account are recognized in provision expenses, adjustments for impairment and depreciation.

3) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs

The Company's financial liabilities include trade and other payables, overdrafts, loans and borrowings.

2. BASIS OF PREPARATION (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized 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 amortization is included as finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

4) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2. BASIS OF PREPARATION (continued)

5) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

h) Inventories

The main categories of inventories are: raw materials, work in progress, semi-finished products, finished products, commodities, spare parts, consumables and packaging materials.

The costs of inventories are comprised of all costs of purchase, costs of production (including all direct and indirect cost attributable to the operational activity of production) and other costs incurred in bringing the inventories to their present condition and location.

The value of work in progress and finished goods includes costs of raw materials, direct labor, direct production costs and indirect production overheads including depreciation. Financing costs are not included in stock valuation.

Inventories are measured at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale. The cost of inventories is determined on the weighted average basis.

The Company periodically analyses inventories to determine whether they are damaged, obsolete or slow-moving or if their net realizable value has declined, and makes allowance for such inventories.

i) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

2. BASIS OF PREPARATION (continued)

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

j) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

k) Provisions

General

Provisions are recognized when the Company has 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 the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of 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. The expense relating to a provision is presented in the income statement net of any reimbursement.

Provisions are reviewed and premeasured at each balance sheet date and adjusted in order to reflect the best estimate. If an outflow no longer probable, the provision is reversed and it is recognized revenue.

Restructuring provisions

Restructuring provisions are recognized only when the recognition criteria for provisions are fulfilled, when all the following conditions are met:

- The Company has an official restructuring plan which includes: details in regard to the segment it relates, the main locations affected, approximate number of employees which will receive compensation for ceasing their service, their positions, the costs for the plan and the restructuring plan date.
- The Company raised a reasonable expectation that the restructuring will be achieved by starting the implementation of the plan or by presenting its main characteristics to those affected.

A restructuring provision will only include direct costs related to the restructuring process, namely those expenses that are generated as such by the restructuring process but are not related to the Company's continuing business.

The Company has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plans main features.

2. BASIS OF PREPARATION (continued)

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Environmental provision

Land and water contamination provisions are recognized as contamination occurs for any legal obligations of clean up, or for constructive obligations if the company's published policy is to clean up even if there is no legal requirement to do so (past event is the contamination and public expectation created by the company's policy).

The Company is planning to perform an ecological remediation and will monitor soil and underground water.

Litigation provision

Litigation provisions are recognized when management estimated that the company is exposed to a cash outflow or it is liable to compensate a third party, as a result of an unfavorable court ruling. See Note 17 – Provisions for details on currently open litigations.

1) Employee benefit obligations

During the current activity the company makes payments to the Romanian State budget relating to its employees post-retirement benefits. All employees are included in Romanian state pension plan. The company does not operate any other pension scheme and, consequently, does not have any obligation related to pensions. In addition, the company has no legal obligation to provide additional benefits to former or current employees, other than what is described below:

According to the collective labor agreement, the company grants to its employees on retirement a variable number of salaries depending on length of service in the company. This is a post-employment benefit plan.

The retirees receive the benefit according to seniority level in the company, as follows:

1. up to 20 years with the company, one average gross salary at the unit level;
2. between 20-30 years with the company, 1 and ½ of the gross average salary at the unit level;
3. over 30 years with the company, 2 gross average salaries at the unit level.

In addition, when the employees reach the age 50, get a benefit according to seniority level in company, as follows (treated as another long-term employee benefit):

1. 10-20 years with the company, ½ of the basic salary;
2. Over 20 years with the company, one basic salary;

Provisions for post-employment benefits and other long-term employee benefits obligations are estimated based on the collective labor agreement of the society, by a specialized external actuary.

The Company uses the actuarial valuation method for measurement of the present value of postemployment benefit obligations and related current service cost. This involves the use of demographic assumptions about the future characteristics of current and former employees who are eligible for benefits (mortality, both during and after employment (and should not be relevant if no pensions are provided), rates of employee turnover, lay-off rate, etc.) as well as financial assumptions (discount rate, inflation rate, salary increase rate). In the event that further changes in the key assumptions are required, the future amounts of the post-employment benefit costs may be affected materially.

2. BASIS OF PREPARATION (continued)

Actuarial gains and losses for the post-employment defined benefit plan are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are recognized in retained earnings and are not reclassified to profit or loss in subsequent periods.

The past service costs are recognized as an expense on a straight line basis over the average period until the benefits become vested. Past service costs are recognized immediately if the benefits have already vested immediately following the introduction of, or changes to, a pension plan.

The Company's policy for other long-term employee benefits is to recognize actuarial gains and losses in the period in which they occur in full in profit or loss.

m) Related parties

Parties are considered related when one party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly or indirectly control or significantly influence the other party. Related parties also include individuals that are principal owners, management and members of the Board of Administration and members of their families, parties with joint control over the Company's joint ventures in which the Company is a venture, post-employment benefit plans for the benefit of the employees of the Company.

n) Retained earnings

The remaining profit after the allocation of the 5% to the legal reserve up to the 20% of the share capital limit set by the law is recorded in the opening retained earnings of the following financial period, when the profit appropriation takes place.

The actual accounting for profit appropriation is therefore made in the next financial year; subsequent by the Shareholder's General Meeting approves the respective appropriation, i.e. the dividends approved and other reserves as per the law provisions.

o) Accounting errors

The correction of the material errors relating to prior periods does not trigger the modification of the financial statements of those prior periods presented in the financial statements. In case of errors in regards to prior periods, no adjustment is made on the comparative information. Any impact on the comparative information regarding the financial status and performance, respectively the change of the financial status is presented in the explanatory notes and adjusted against retained earnings during the year.

p) Revaluation of property, plant and equipment

The Company measures land and buildings at revalued amounts with changes in fair value being recognized in other comprehensive income. The Company engaged independent valuation specialists to assess fair value as at 31 October 2005, 31 December 2008, 31 December 2011 and 31 December 2014, respectively.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

- ▶ The management of the company considers that the level of provisions recognized under previous GAAP reflect the level of risks the company is exposed to;
- ▶ The management of the Company decided that its functional currency is the RON considering the following aspects:
 - The Company records costs mostly in the national currency RON;
 - The Company records revenues mostly in the national currency in RON, though, some revenues are based on EUR prices;
- ▶ The management exercised judgment in determining the nature of the claw back and considered that it would be appropriate to classify it net of revenues net of revenues, as opposed to a separate operating expense. Management has considered this is more similar to a rebate, or contingent adjustment on sales made.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

Taxes and tax provisions

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income.

All amounts due to State authorities for taxes have been paid or accrued at the balance sheet date. The Romanian tax system undergoes a consolidation process and is being harmonized with the European legislation. Different interpretations may exist at the level of the tax authorities in relation to the tax legislation that may result in additional taxes and penalties payable. Where the State authorities have findings from reviews relating to breaches of Romania's tax laws, and related regulations these may result in: confiscation of the amounts in case; additional tax liabilities being payable; fines and penalties (that are applied on the total outstanding amount). As a result the fiscal penalties resulting from breaches of the legal provisions may result in a significant amount payable to the State.

At each year end the Company makes an estimate of its potential tax risks and determines the potential risk level using their best estimation, and, as a result, recognizes a specific provision in the financial statements, if appropriate.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Pension benefits

The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Environmental provision and litigation provisions

The Company recognizes environmental provision in relation to ecological rehabilitation and monitoring of soil and underground waters.

The Company recognizes litigation provisions for the risks identified in relation to several court cases, whose outcome is not certain.

Useful lives for elements of Property, plant and equipment and depreciation method

The Company estimated useful lives of its elements of PPE in accordance with the expected consumption of the respective assets.

The Company assessed the depreciation method to be the following:

- Straight line for buildings and assets acquired and put in function before 1997;
- Accelerated / reducing balance for assets put in operation after 1997.

Allowance for bad debts

The Company estimates allowance for bad debts as a general allowance based on the age of the respective receivable:

- Above 360 days: 100%

Amounts deducted from sales for projected sales returns, rebates and price reductions

Returns, discounts, incentives and rebates are recognized in the period in which the underlying sales are recognized as a reduction of sales revenue. These include provisions for price reductions under Government and State programs, which are estimated on the basis of the specific terms of the relevant regulations and/or agreements, and accrued as each of the underlying sales transactions is recognized. The provisions are subject to continuous review and adjustment as appropriate based on the most recent information available to management.

4. STANDARDS AND NEW AMENDMENTS AND INTERPRETATIONS TO STANDARDS

A) "Changes in accounting policies and disclosures"

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2015. Only the amendments to the IFRSs which are relevant for the Company considering its business and transactions performed are detailed:

- **IFRS 3 Business Combinations**
- **IFRS 13 Fair Value Measurement**
- **IAS 40 Investment Properties**
- **IAS 19 Defined Benefit Plans (Amended): Employee Contributions**
- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
- **IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments)**
- **IAS 1: Disclosure Initiative (Amendment)**

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

- **IFRS 3 Business combinations**

This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. There is no impact on the financial statements of the Company.

- **IFRS 13 Fair Value Measurement**

This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 *Financial Instruments: Presentation*. There is no impact on the financial statements of the Company.

- **IAS 40 Investment Properties**

This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 *Business Combinations* and investment property as defined in IAS 40 *Investment Property* requires the separate application of both standards independently of each other. There is no impact on the financial statements of the Company.

- **IAS 19 Defined Benefit Plans (Amended): Employee Contributions**

The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. There is no impact on the financial statements of the Company.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. There is no impact on the financial statements of the Company.

4. STANDARDS AND NEW AMENDMENTS AND INTERPRETATIONS TO STANDARDS (continued)

- **IAS 1: Disclosure Initiative (Amendment)**

The amendments to IAS 1 *Presentation of Financial Statements* further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted investments. There is no impact on the financial statements of the Company.

- The **IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. The amendments detailed below affect disclosure only or have no impact on the financial position and performance of the Company.

- **IFRS 2 Share-based Payment:** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- **IFRS 3 Business combinations:** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 *Financial Instruments*.
- **IFRS 8 Operating Segments:** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- **IFRS 13 Fair Value Measurement:** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- **IAS 16 Property Plant & Equipment:** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- **IAS 24 Related Party Disclosures:** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- **IAS 38 Intangible Assets:** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

B) Standards issued but not yet effective and not early adopted

- The **IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments detailed below affect disclosure only or have no impact on the financial position and performance of the Company
 - **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:** The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
 - **IFRS 7 Financial Instruments: Disclosures:** The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

4. STANDARDS AND NEW AMENDMENTS AND INTERPRETATIONS TO STANDARDS (continued)

- **IAS 19 Employee Benefits:** The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- **IAS 34 Interim Financial Reporting:** The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

- **IFRS 9 Financial Instruments:**

The standard is effective for annual periods beginning on or after 1 January 2018 with early application permitted. The final version of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The amendment has not yet been endorsed by the EU. There is no impact on the financial statements of the Company.

- **IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments)**

The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments have not yet been endorsed by the EU. There is no impact on the financial statements of the Company.

- **IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations**

The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. There is no impact on the financial statements of the Company.

- **IFRS 14 Regulatory Deferral Accounts**

The standard is effective for annual periods beginning on or after 1 January 2018. The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities, whereby governments regulate the supply and pricing of particular types of activity. This can include utilities such as gas, electricity and water. Rate regulation can have a significant impact on the timing and amount of an entity's revenue. The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This standard has not yet been endorsed by the EU, as the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard. Management is still assessing the potential effects on the financial position and performance of the Company.

4. STANDARDS AND NEW AMENDMENTS AND INTERPRETATIONS TO STANDARDS (continued)

- **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not yet been endorsed by the EU. Management is still assessing the potential effects on the financial position and performance of the Company.

- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization**

The amendment is effective for annual periods beginning on or after 1 January 2016. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. This amendment clarifies the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. There is no impact on the financial statements of the Company.

- **IFRS 16: Leases**

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU. Management is still assessing the potential effects on the financial position and performance of the Company.

- **IAS 27 Separate Financial Statements (amended)**

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. There is no impact on the financial statements of the Company.

- **IAS 12 Income taxes (Amendments): Recognition of Deferred Tax Assets for Unrealised Losses**

The amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. The objective of these amendments is to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. For example, the amendments clarify the accounting for deferred tax assets when an entity is not allowed to deduct unrealised losses for tax purposes or when it has the ability and intention to hold the debt instruments until the unrealised loss reverses. There is no impact on the financial statements of the Company.

- **IAS 7 Statement of Cash Flows (Amendments): Disclosure Initiative**

The amendments are effective for annual periods beginning on or after 1 January 2017, with earlier application permitted. The objective of these amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. There is no impact on the financial statements of the Company.

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5. SALES OF GOODS AND RENDERING OF SERVICES AND RAW MATERIAL EXPENSES

5.1 Turnover

For management purposes, the Company is organized into business units based on its products and services. The company does not have reportable segments.

The Executive Management Committee monitors the operating results of its business as a whole, for the purpose of making decisions about resource allocation and performance assessment. Performance is evaluated based on gross profit, operating profit or loss and is measured consistently with operating profit or loss in the financial statements.

The Company monitors the sales transactions, considering the domestic and the foreign sales.

	01.01- 31.12.2015	01.01- 31.12.2014
Domestic sales	204,059,180	192,629,690
Sales abroad	192,765,412	201,442,933
Total	396,824,592	394,072,623
Rendering of services	37,389,469	45,515,353
Sales of goods, including:	358,028,061	346,785,771
Sales of finished goods	355,821,156	321,599,519
Sales of goods for resale	15,712,797	39,295,546
Residual products	200,690	147,197
Claw back tax expense	(13,706,582)	(14,256,491)

Claw back tax

Starting last quarter of the financial year ended 2009, within the pharmaceuticals business, for the companies that are Market Authorization Holders for certain drugs, a new tax has been introduced named the "claw-back tax".

For the purpose of financing the health expenses, holders of marketing authorizations of medicinal products included in national health programs are required to pay the claw-back tax on a quarterly basis for the concerned medicine sales related to the concerned quarter based on the notifications received by the Company from the National Health Insurance Fund (CNAS).

The contribution (the claw-back tax) should be paid by holders of the medicines marketing authorizations, or their legal representatives, if these medicines are:

- Prescribed within the Romanian healthcare system;
- Used in out-patient treatment (with or without a patient contribution) on the basis of a medical prescription and available through public pharmacies, in hospital treatment, or used as part of medical treatment offered in dialysis centers.

Starting 2011 the method of claw back tax computation was explained by *Government Emergency Ordinance no. 77 as published in December 2011*). As a result, the quarterly contribution is calculated by applying a **percentage "p"** to the sales made by each Authorization holder (payer of the contribution), percentage p is determined by reference to actual level / value of the consumption of medicines, which are paid for by the National Health Insurance Fund and the budget of the Ministry of Health. The value of percentage "p" and the total consumption of medicines recorded in the statistics of the social health insurance system are communicated to the payers by CNAS by the end of the month which follows the end of the quarter.

**5. SALES OF GOODS AND RENDERING OF SERVICES AND RAW MATERIAL EXPENSES
 (continued)**

Starting 2012 the computation was changed by the *Government Emergency Ordinance no. 110 as published in September 2012*. The new computation method is performed based on the information about actual consumption in the market, which is quarterly received by the taxpayer from the National Health Insurance Fund.

The Company presented the claw back related to sales realized during the year as a reduction in Turnover realized during the year.

5.2. Raw material expenses

Raw materials and consumables used	Note	01.01- 31.12.2015	01.01- 31.12.2014
Raw materials	1	117,055,622	92,258,341
Cost of Goods for resale		10,885,478	44,085,534
Packaging materials	2	36,848,697	30,263,302
Auxiliary materials	3	5,506,420	8,844,554
Utilities	4	8,583,591	7,283,398
Other material expenses	5	4,534,768	1,362,948
Total		183,414,574	184,098,077

The amounts referenced in the table at 1, 2, 3 comprise mainly expenses with raw material, packaging and auxiliary expenses used in production. The amounts referenced at 4 – utilities – comprise mainly expenses with energy and water.

5 – This category mainly contains the expenses with materials not stored related to the certification department for the product manufactured in Turkey and India, which will be distributed on the Member State of European Union markets and for the certification of the products existing in the Zentiva portfolio. The increase in these expenses is directly linked to the volume of certification services performed by the Company. For additional details, see Note 20 *Related Party Disclosures*.

In 2015 the cost of raw materials increased compared to the prior year due to the fact the Company started to acquire bulk materials and use them in own production to a larger extent, in order to meet the orders placed for the local and external market.

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6. OTHER INCOME / OTHER EXPENSES AND ADJUSTMENTS

6.1 Other operating income

Other operating income	01.01- 31.12.2015	01.01- 31.12.2014
Gain/ (loss) from disposal of assets	(109,117)	(21,812)
Promotion services to Sanofi Romania SRL	3,607,319	4,090,143
Other operating income	2,321,062	718,801
Total	5,819,264	4,787,132

The Company presents the amounts in relation to increase and use of allowance for inventories and bad debts on a net basis under Other operating income in case if the net impact is revenue. As of 31 December 2015 and 2014, respectively, the net impact is an expense and it is presented in Note 6.2 "Other operating income".

The Company recognizes as services to Sanofi Romania SRL certain services related to the marketing and promotion of certain services under the Sanofi Aventis brand.

The Company recognizes under "Other operating income" the re-invoice of certain services delivered by Zentiva employees for Sanofi Romania SRL (sister company) – MHR (Manhour employee fee/ hour).

6.2 Other operating expenses

Other expenses	01.01- 31.12.2015	01.01- 31.12.2014
Corporate expenses	8,371,586	17,063,692
Promotion expenses from Sanofi Romania SRL	8,691,621	6,470,038
Repairs expenses	4,777,337	5,565,958
Sponsorship	50,865	1,585,207
License – Zentiva trade mark	6,570,773	6,064,850
Travel expenses	1,438,159	1,490,525
Write off of inventories	1,004,499	1,626,036
Taxes	6,951,000	4,148,827
Professional fees	392,573	423,888
Telecommunication expenses	588,457	762,652
Fines and penalties	48,877	967
Other expenses	28,089,692	22,734,078
Net allowance for inventories and receivables	7,396,724	1,473,517
Total	74,372,163	69,410,235

The corporate services include a wide variety of support, such as:

Management support services: portfolio management and development (monitoring, support on transfers, projects to optimize production processes of the Company), procurement (supplier monitoring, negotiations of the major contracts for raw materials), legal support (review and support for international/complex situations related to the Romanian business) and finance (monitoring of sales, support for projections of production and cost of production optimization, definition of product flows for the local capacity)

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Marketing and sales: support for the launches of new products, monitoring and recommendations regarding market performance, business reviews to support management decisions, best practices of the Group sharing with the local management of the Company

Production and logistics: support for international flows of products, management and optimization of transport, monitoring and support to optimize the performance of production sites, benchmarks and sharing best practices between sites.

IT support: maintenance of IS systems (SAP and other common applications used by the all entities from the Group), operational and day-to-day support regarding software's and IT infrastructures, management and execution of IT projects relevant to the local

Promotion expenses comprise mainly the equivalent value of the promotion services performed by the employees of Sanofi Romania SRL for the products existing in Zentiva' s portfolio and distributed by it on the local market. The services are paid based on Man/Hour rates agreed by the parties.

Taxes include non-deductible VAT related to miscellaneous services and other local taxes. The increase in taxes in the current year is mainly due to the additional taxes paid by the Company to the state authorities (such as the National Agency for Medicines for registering new medicines produced by the Company).

Other expenses include: study and research expenses for the pharmaceutical field, expenses for obtaining the authorization for production, equipment maintenance and repairs, transportation, security, intranet services and other miscellaneous costs. This category also includes the personnel lease services from Lugera and the services reinvoiced by Sanofi Romania SRL depending on the man-hours rate of the employees who have provided services for Zentiva SA, which have grown in the current year as compared to the prior year due to the increase in the obtained production during 2015.

The Company presents the amounts in relation to increase and use of allowance for inventories and receivables on a net basis under "Other operating expenses", if the net impact is an expense. As of 31 December 2015, the net value of the allowance for inventories and receivables is mainly represented by the increase of the receivables provision – for further details please see the comments included in Note 12: Inventories.

6.3 Finance costs

Financial expense	01.01- 31.12.2015	01.01- 31.12.2014
Foreign exchange loss expense	1,464,433	848,308
Interest expenses	132,450	9,720
Total	1,596,883	858,028

6.4 Finance income

Finance income	01.01- 31.12.2015	01.01- 31.12.2014
Foreign exchange gain income	164,640	328,380
Interest income	260,044	635,478
Total	424,684	963,858

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6. OTHER INCOME / OTHER EXPENSES AND ADJUSTMENTS (continued)

6.5 Employee benefits expense

Employee benefits expense	01.01- 31.12.2015	01.01- 31.12.2014
Wages and salaries	38,474,028	36,420,650
Social security costs	9,332,802	10,743,706
Post-employment and other long-term employee benefits – net impact	1,000	(12,000)
Other short term benefits (*)	1,070,033	1,025,337
Total	48,877,863	48,177,693

(*) - the expense represents meal tickets granted to employees.

6.6 Marketing and advertising expenses

The Company recognized as expense for marketing and advertising the expenses incurred for TV promos and other types of media advertising.

The Company uses some local media suppliers for these advertising campaigns.

Starting with April 2013, the Company concluded marketing and advertising agreements with each TV national post. Group Publicistic invoiced only the advertising hour monitoring services provided by the television stations.

The main campaigns made in 2015 are for the following products:

- Antinevralgic
- Antinevralgic Forte
- Dicarbocalm
- Modafen
- Ibalgin

7. INCOME TAX AND DEFERRED TAX

7.1 Income tax

The major components of income tax expense and the reconciliations between the expenses with the accounting and fiscal tax and profit for the years ended 31 December 2015 and 2014 are:

Tax reconciliation	01.01- 31.12.2015	01.01- 31.12.2014
Profit before income taxes	59,981,669	64,446,843
Income taxes calculated at the nominal applicable tax rate	9,597,067	10,311,495
Non-taxable income	(726,707)	(282,989)
Non-deductible expenses	5,175,581	2,288,007
Fiscal credit	(50,865)	(75,025)
Deferred tax (7.2. /expenses (revenue))	(209,368)	(2,305,491)
Income taxes reported in the income statement	13,785,708	9,884,957

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7. INCOME TAX AND DEFERRED TAX (continued)

Movement in income tax during the year	31.12.2015	31.12.2014
Balance as at 1 January	899,111	2,290,284
Income tax expenses for the current year	13,995,077	12,190,448
Income tax paid during the year	(11,084,803)	(13,581,620)
Balance as at 31 December	3,809,385	899,112

7.2 Deferred tax

The Company offsets deferred tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities and relate to income taxes levied by the same tax authority.

Deferred tax refers to:

Deferred Income Tax	31.12.2015	31.12.2014	Income statement and equity movement / Retained earnings	
			2015	2014
- Deferred income tax assets				
Employee benefit liability	176,000	177,280	(1,280)	15,520
Provisions, including depreciation for tangible assets	1,799,621	1,451,814	347,804	499,519
Intangibles	1,034	-	1,034	-
Total (a)	1,976,655	1,629,097	347,558	515,039
- Deferred income tax liabilities				
Property, plant and equipment	(3,574,681)	(3,198,055)	(376,626)	1,849,068
Intangible assets	-	(67,514)	67,514	(58,616)
Total (b)	(3,574,681)	(3,265,569)	(309,112)	1,790,452
Net deferred tax income (a) - (b)	(1,598,026)	(1,636,472)	38,446	2,305,491

The deferred tax – liabilities related to property, plant and equipment is generated by the temporary difference between fiscal and accounting based of the carrying value of the Property, Plant and equipment and is mainly related to different useful life and depreciation method.

The Company recognizes items in profit and loss account and equity, as follows:

	2015	2014
Deferred tax		
Recognized in profit and loss (7.1)	209,368	(2,356,531)
Recognized in equity	(170,922)	(51,040)
Total	(38,446)	(2,305,491)

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8. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery, tools and equipment	Constructions in progress	Total
Gross Value at 1 January 2014	12,258,330	50,012,352	116,481,090	17,445,786	196,197,558
Additions	-	114,636	240,905	13,213,590	13,569,131
Disposals	-	-	(572,695)	-	(572,695)
Increase as a result of revaluation	-	542,346	-	-	542,346
*Revaluation adjustment (decrease)	(836,433)	(5,618,602)	-	-	(6,455,035)
Transfers from CIP	-	3,006,459	17,020,942	(20,027,401)	-
Gross value at 31 December 2014	11,421,897	48,057,191	133,170,242	10,631,975	203,281,305
Depreciation and impairment at 1 January 2014	(991,003)	(4,430,386)	(98,916,401)	(1,051,649)	(105,389,439)
Charge for the year	-	(2,303,443)	(6,359,028)	-	(8,662,471)
*Revaluation adjustment (decrease)	-	6,455,035	-	-	6,455,035
Disposals	-	-	494,639	-	494,639
Depreciation and impairment at 31 December 2014	(991,003)	(278,794)	(104,780,790)	(1,051,649)	(107,102,236)
Net book value 31 December 2014	10,430,895	47,778,397	28,389,452	9,580,326	96,179,069
Gross Value at 1 January 2015	11,421,897	48,057,191	133,170,242	10,631,975	203,281,305
Additions	-	-	92,667	12,987,883	13,080,550
Disposals	-	(481,216)	(1,192,447)	-	(1,673,663)
Transfers from CIP	-	-	15,721,175	(15,721,175)	-
Gross value at 31 December 2015	11,421,897	47,575,975	147,791,637	7,898,683	214,688,192
Depreciation and impairment at 1 January 2015	(991,003)	(278,794)	(104,780,790)	(1,051,649)	(107,102,236)
Charge for the year	-	(2,217,115)	(8,324,556)	-	(10,541,671)
Disposals	-	425,850	1,185,168	-	1,611,018
Depreciation and impairment at 31 December 2015	(991,003)	(2,070,059)	(111,920,178)	(1,051,649)	(116,032,889)
Net book value 31 December 2015	10,430,894	45,505,916	35,871,459	6,847,034	98,655,303

The value of fully depreciated non-current assets as at 31 December 2015 is RON 93,733,524 (2014: RON 87,127,805).

*this category presents the impact of off-setting of accumulated depreciation as of 31 December 2014 and gross book value of buildings in order to determine the net book value prior to revaluation.

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9. PROPERTY, PLANT AND EQUIPMENT (continued)

Assets under construction

Included in property, plant and equipment at 31 December 2015 was an amount of RON 7,898,682 (2014: 9,392,888 RON) mainly relating to expenditure for the acquisition production equipment for which the Company has registered an impairment provision which is presented below.

Until 31 December 2015, part of these constructions was finalized, so part of the investment was transferred from construction in progress to machinery and equipment. Their total value was of RON 15,721,175 (2014: RON 20,027,401).

The impairment provision relates to some amounts for other several investments (SMB Laboratories and a syrup production line) which were incurred in prior periods, not yet finalized and whose recoverability is not certain; the impairment is in amount of RON 1,051,649 (2014: 1,051,649 RON).

10. INTANGIBLE ASSETS

	Development cost	Other intangible assets	Intangibles in progress and advance payments	Total
Costs as at 1 January 2014	63,532	3,451,832	612,088	4,127,452
Additions	-	44,751	330,369	375,120
Transfers	-	-	-	-
Costs as at 31 December 2014	63,532	3,496,583	942,457	4,502,572
Amortization and impairment at 1 January 2014	63,532	3,270,580	430,583	3,764,694
Amortization during the year	-	133,547	-	133,547
Amortization and impairment at 31 December 2014	63,532	3,404,125	430,583	3,898,240
Net amount as at 31 December 2014	-	92,456	511,874	604,330
Costs as at 1 January 2015	63,532	3,496,583	942,457	4,502,572
Additions	-	114,920	233,542	348,462
Disposals	-	-	-	-
Transfer	-	273,908	(273,908)	-
Costs as at 31 December 2015	63,532	3,885,411	902,091	4,851,034
Amortization and impairment at 1 January 2015	63,532	3,404,125	430,583	3,898,240
Amortization during the year	-	103,252	-	103,252
Disposals	-	-	-	-
Amortization and impairment at 31 December 2015	63,532	3,507,377	430,583	4,001,492
Net amount as at 31 December 2015	-	378,034	471,508	849,542

11. OTHER FINANCIAL ASSETS

Starting with September 2013, the Company concluded a cash pooling agreement with Sanofi SA France (the parent). In accordance with the contractual terms, the interest rate applied is ROBOR+ 15bp if the Company borrows and ROBOR - 5 bp if the Company makes deposits.

As of 31 December 2015, the balance of cash pooling is RON 1,323,560 (2014: 33,263,782 RON) and represents a debit balance.

The debit balance of the cash pooling agreement as at 31 December 2015 and 31 December 2014 is presented under the line "Deposits" in Note 14" Cash and short term deposits".

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12. INVENTORIES

Inventories	<u>31.12.2015</u>	<u>31.12.2014</u>
Merchandise	5,245,212	9,370,494
Finished and semi - finished products	21,003,414	11,716,497
Raw materials and supplies	23,935,660	18,463,353
Package materials	9,428,681	7,452,598
Less:		
Allowance for obsolete inventories	(9,536,795)	(1,696,562)
Total	<u>50,076,172</u>	<u>45,306,380</u>

Changes in inventory impairment

	<u>31.12.2015</u>	<u>31.12.2014</u>
Balance at 1 January	(1,696,562)	(2,681,521)
Additions	(7,840,233)	(346,257)
Provision used	-	1,331,216
Release of provisions	-	-
Balance at 31 December	<u>(9,536,795)</u>	<u>(1,696,562)</u>

Impairment per inventory category

	<u>31.12.2015</u>	<u>31.12.2014</u>
Finished and semi - finished products	(4,551,455)	(348,168)
Raw materials and supplies	(3,780,251)	(1,129,174)
Package materials	(1,205,089)	(219,220)
Total	<u>(9,536,795)</u>	<u>(1,696,562)</u>

The Company recognizes as allowance for inventories amounts related to slow moving items according to the Company policy. Therefore, as of 31 December 2015, from the total provision of 9,536,795, the amount of 3,377,253 relates to slow moving items. The difference of RON 6,159,542 represents a specific provision registered by the Company as of 31 December 2015 for the pilot series of medicines that are still in the stage of being approved for commercialization and for the product Helicid (2014: from the total provision of 1,696,562, the amount of 1,487,067 represents a provision for slow moving items).

The Company does not have any inventories pledged in favor of third parties as of 31 December 2015 and 31 December 2014 respectively.

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13. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade and other accounts receivable	31.12.2015	31.12.2014
Trade receivables (see aging below)	2,740,758	4,228,837
Trade receivables from related parties (see aging below)	205,277,985	190,139,082
Advances paid	2,828,146	5,008,998
Recoverable taxes	19,312,601	8,413,652
Sundry debtors	303,503	2,793,954
Prepaid Expenses	498,035	402,702
Other receivables	-	213,248
Less:		
Allowance for doubtful trade accounts receivable	(660,690)	(660,690)
Allowance for sundry debtors	(244,814)	(2,721,958)
Total	230,055,524	207,817,825

Trade receivables are non-interest bearing and are generally due between 60 to 120 days starting with 1 December 2015 (2014: 60 to 240 days)

See below for the movements in allowance:

Allowance	31.12.2015	31.12.2014
Balance at 1 January	(3,382,648)	(924,172)
Settings	-	(2,477,144)
Provision used	-	-
Reversal of previous years provision	2,477,144	18,668
Balance at 31 December	(905,504)	(3,382,648)

As of 31 December 2015, trade receivables amounting to RON 660,690 (2014: RON 660,690) were provisioned in full

As of 31 December 2015, other receivables related to sundry debtors amounting to RON 244,814 were adjusted in full (2014: RON 2,721,958). During 2015, the Company has reversed the provision registered in 2014 in amount of RON 2,477,144 in relation to the receivable from Cascade as a result of the assignment of receivables to Foreman Property for RON 443,510 (the equivalent of EUR 100,000 at the transaction date), and the difference of 2,033,634 was included as expense during the year. The decision to assign the receivable related to Cascade was taken as a result of this company initiating the insolvency procedure. As of 31 December 2015, Zentiva SA received RON 443,510 from the assignment of receivables.

The net movement in the provision for receivables and inventories amounting to RON 7,396,724, representing the expenses as of 31 December 2015, is presented in Note 6.2: Other operating expenses (2014: RON 1,473,517).

The detail of trade receivables based on contractual terms as of 31 December 2015 and respectively as of 31 December 2014.

	Receivables		Receivables due but not impaired			Total
			30-60 days	60-180 days	>180 days	
	Receivables not due	1-30 days				
2015	199,747,773	3,822,768	-	2,033,360	1,745,152	207,358,053
2014	187,939,125	4,094,284	1,151,500	219,138	303,182	193,707,229

See Note 22 on credit risk of trade receivables, which discusses how the Company manages and measures credit quality of trade receivables that are neither past due nor impaired

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14. CASH AND SHORT TERM DEPOSITS

	<u>31.12.2015</u>	<u>31.12.2014</u>
Cash at banks and on hand	841,886	967,637
Advance for payment of dividends	5,207,310	4,319,583
Deposits – cash pooling	1,323,560	33,263,782
Total	<u>7,372,756</u>	<u>38,551,002</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of time between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

As of 31 December 2015, the Company had issued no letters of guarantee in favor of different third parties, while as of 31 December 2014, the Company had issued letters of guarantees in favor of third parties for which it had collateral cash amounting to EUR 3,311 and RON 22,742.

As of 31 December 2015, the Company has restricted cash in amount RON 47,431 (2014: RON 46,774 RON), representing warehouse keeper guarantees.

The amount of RON 5,207,310 included on line Advance for payment of dividends relates to a transfer to Central Depository for the dividend payment to the minority shareholders (2014: RON 4,319,583).

Starting with September 2013, the Company concluded a cash pooling agreement with Sanofi SA France (the parent). In accordance with the contractual terms, the interest rate applied is ROBOR + 15bp if the Company borrows and ROBOR - 5bp if it makes deposits, respectively. The interest received and paid for the cash-pooling transactions during the year amount to RON 245,009 and RON 132,450, respectively (2014: the interest received amounts to RON 587,020 and the interest paid amounts to RON 3,172 RON) and they are presented in Note 6.3 Financial expensed and Nota 6.4 Financial revenues, respectively.

As of 31 December 2015, the balance of cash pooling is RON 1,323,560 (2014: RON 33,263,782) and represents a debit balance.

As of 31 December 2015 and respective as of 31 December 2014, the Company has a credit facility in amount of RON 10 million at BNP Paris Bank which is not used; the interest rate is 1 Month ROBOR+ 1.30%.

15. ISSUED CAPITAL AND RESERVES

Authorized shares	<u>31.12.2015</u>	<u>31.12.2014</u>
Ordinary shares of RON 0.1 each	416,961,150	416,961,150
Ordinary shares issued and fully paid		<u>No. shares</u>
At 31 December 2014	416,961,150	41,696,115
At 31 December 2015	416,961,150	41,696,115

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15. ISSUED CAPITAL AND RESERVES (continued)

	At 31 December 2015	At 31 December 2014
Inflated share capital		
The Company used the hyperinflation adjustment		
Issued share Capital	41,696,115	41,696,115
Inflation related to share capital		259,608,187
Total share capital	41,696,115	301,304,302

Share premium

	At 31 December 2015	At 31 December 2014
Inflated share premium	-	-
Share premium (nominal value)	9,863,684	9,863,684
Inflation related to share premium	15,100,822	15,100,822
Total inflated share premium	24,964,506	24,964,506

For IFRS conversion in accordance with Order 1286/2012, the Company recorded a hyperinflation adjustment for period 1992 - 2003 when Romania was considered a hyperinflationary economy in relation to both share capital and share premium.

In 2015, the Decision of the General Shareholder's Meeting on 29 April 2015 approved covering of the accounting loss amounting to RON 273,746,023, resulted from the adjustments generated by the transition to IFRS from the hyperinflation adjustments related to share capital – for further details please see the note Statement of Changes in Equity.

Redeemable shares: The Company has no redeemable shares as at 31 December 2015 (2014: no redeemable shares).

15.2 Reserves

Reserves and other components of equity	31.12.2015	31.12.2014
Retained earnings / (Accumulated Losses)	105,476,271	(146,144,986)
out of this an amount relating to hyperinflation adjustment	-	273,746,023
Retained earnings, excluding hyperinflation adjustment	105,476,271	127,601,036

Total other reserves included in components of equity comprise of:	Note	31.12.2015	31.12.2014
Legal reserves	B	8,339,223	8,339,223
Other reserves (other funds)	D	90,174,538	105,931,652
Revaluation reserve	C	2,107,876	2,278,799
Retained earnings, excluding hyperinflation adjustment	A	105,476,271	127,601,036
Total Other Reserves		206,097,907	244,150,710

15. ISSUED CAPITAL AND RESERVES (continued)

A) Retained earnings (excluding hyperinflation adjustment) are made up of the following:

	<u>31.12.2015</u>	<u>31.12.2014</u>
Reclassification of distributable reserves to retained earnings	48,854,083	48,854,083
Fiscal facilities (accumulated profit)	917,664	917,664
Retained earnings	4,072,474	3,702,479
Adjustments to IFRS	(2,059,066)	(2,059,066)
Revaluation of fixed assets used as an initial cost and reclassified to retained earnings	7,814,490	21,952,325
Profit/loss for the year	46,195,961	54,561,886
Other equity elements	(319,335)	(328,335)
Total Retained earnings	<u>105,476,271</u>	<u>127,601,036</u>

B) Legal reserves

The Company set its legal reserve in accordance with the Company Law, which requires that 5% of the annual accounting profit before tax is transferred to "legal reserve" until the balance of this reserve reaches 20% of the share capital of the Company. Legal reserves are not distributable. As at 31 December 2015 and 31 December 2014, respectively, the Company reached the threshold of 20% of the share capital.

C) Revaluation reserve

A revaluation reserve is considered to be realized when the corresponding asset is disposed of or sold. Once the revaluation reserve becomes realized, it can then be distributed. On 31 December 2015, the Company recorded the amount RON 2,107,876 (2014: 2,278,799)

D) Other reserves

Other reserves comprise of profit appropriation from the periods: 2004- 2008 and 2012-2013, respectively. These reserves are available for distribution as dividends.

E) Fiscal facilities

During the year 2002, the Company benefited from fiscal facilities for the exports performed in an amount of 25,280 RON and for investments done from reinvested profit in value of 892,384 RON.

16. DIVIDENDS PAID AND PROPOSED

During 2015, the Company distributed dividends in amount of RON 70,000,000 (2014: RON 30,000,000), approved by the decision of the General Shareholders' Meeting on 29 April 2015. These dividends were distributed from the result of the financial year ended as of 3 December 2014, amounting to RON 46,195,961 and from the profit not appropriated related to the financial years ended 31 December 2003 and 31 December 2004, amounting to RON 15,757,114, respectively.

Payments were performed during the financial year 2015 in amount of RON 66,130,220 (2014: RON 28,293,085), out of which, to the majority shareholder the amount RON 56,675,256 (2014: RON 24,508,775) was paid.

The 2015 dividends will be declared in the financial year 2016 according to the General Meeting of Shareholders approval and will decrease the retained earnings in 2016.

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17. PROVISIONS

Other provisions	31.12.2015	31.12.2014
Provisions for litigations	(1,452,665)	(3,453,204)
Provisions for restructuring	-	(37,500)
Provisions for taxes	(23,053,670)	(10,509,883)
Other provisions	(1,490,906)	(2,336,888)
Environmental provision	(5,925,487)	(5,925,487)
Total	(31,922,728)	(22,262,962)

	Provisions for litigations	Provisions for restructuring	Provisions for taxes	Environmental provisions	Other provisions	Total
As of 1 January 2014	2,793,990	190,205	6,095,963	5,951,863	1,848,412	16,880,433
Additions	2,410,590	-	4,413,921	-	488,476	7,312,987
Reversals	(1,751,376)	(152,706)	-	(26,376)	-	(1,930,458)
As of 31 December 2014	3,453,204	37,500	10,509,884	5,925,487	2,336,888	22,262,962
Current	-	37,500	6,062,957	2,499,000	2,336,888	10,936,345
Long term	3,453,204	-	4,446,927	3,426,487	-	11,326,617

	Provision for litigations	Provision for restructuring	Provision for taxes	Environmental provision	Other provisions	Total
As of 1 January 2015	3,453,204	37,500	10,509,884	5,925,487	2,336,888	22,262,963
Additions	56,995	208,500	12,543,786	-	1,490,905	14,300,186
Reversals	(2,057,534)	(246,000)	-	-	(2,336,888)	(4,640,422)
As of 31 December 2015	1,452,665	-	23,053,670	5,925,487	1,490,905	31,922,728
Current	1,041,116	-	18,457,150	1,701,000	1,490,905	22,690,171
Long term	411,549	-	4,596,520	4,224,487	-	9,232,557

Provisions for litigations

Movements in provisions for litigations refer to the change in the estimates during the year concerning the Company's litigations in progress and which mainly refer to:

- Setting a provision concerning some of the restructured employees during the previous years, amounting to RON 1,041,116 RON, representing the value of the salary rights requested by the former Company employees for a period of one year, if they had chances of winning such salary rights in court. As of 31 December 2014, the Company had a provision registered for this risk amounting to RON 1,729,404. During 2015, payments were made to the former employees who have won the lawsuits against the Company, which has generated a decrease of this provision as of 31 December 2015 as compared to 31 December 2014.
- As of 31 December 2014, the Company had registered a provision amounting to RON 88,280 for the litigation with Seges for the payment of green certificates; this provision was reversed during the current year since this litigation was settled in the Company's favor.
- During 2014, the Company has registered a provision amounting to RON 983,210 for the litigation with Chimopar, representing 30% of the value of the provision registered initially, as well as the value of the court charges, since, during the year, the Company has initiated the insolvency proceedings. As of 31 December 2015, the Company has a provision amounting to RON 225,000 set in relation to that litigation.
- As of 31 December 2015, the Company has set other provisions for litigations amounting to RON 186,549.

17. PROVISIONS (continued)

Provisions for taxes

As of 31 December 2015, the Company has set a provision for possible additional taxes and charges which might be found by the Romanian Fiscal Authorities in case of an inspection, in the context of the multiple legislative changes, amounting to RON 10,594,883, out of which RON 6,062,957 representing a provision for the claw back tax.

In 2015, the inspection was finalized by the Romanian tax authorities concerning the claw-back tax for the period Q4 2009- Q 3 2011. Through the notice of assessment F-MC 2370/22.12.2015, a claw-back tax difference of RON 7,138,845 was determined and late payment surcharges of RON 8,002,185 and late payment penalties of RON 3,316,077 RON. The amounts determined by the inspection for the claw-back tax were also challenged, as were the additionally determined amounts, the late payment surcharges and the late payment penalties amounting to a total of RON 18,457,107. The Company submitted to ANAF a bank letter of guarantee. On this background, the provision for risks and expenses was supplemented with the amount of RON 12,394,150.

The provisions for taxes are set for the amounts owed to the state budget, provided that the respective amounts are not reflected as liability in relation to the state.

Provisions for restructuring

As of 31 December 2015, the Company did not have provisions for restructuring (2014: the Company had registered a provision for restructuring amounting to RON 37,500), since, during the year, the Company had paid all salary rights related to the restructured employees, according to the restructuring plan communicated in 2013.

Environmental provisions

Environment provisions have been set in amount of RON 5,925,487 representing potential expenses related to ecological repair/rehabilitation and monitoring of soil and underground waters. These provisions are computed by specialists.

Other provisions

Other provisions related to the company's activity, amounting to RON 1,490,905 (2014: RON 2,336,888), were recorded by the Company in this category.

18. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

As detailed in the accounting policy, the Company applies a defined benefit plan for the employees. This plan requires the Company to pay the social security contributions for employees to the public pension fund.

The Company, in the normal course of business, makes payments to the Romanian State on behalf of its employees. All employees of the Company are members of the Romanian State pension plan. The Company does not operate any other pension plan or post-retirement benefit plan and, consequently, it has no obligation concerning pensions. In addition, the Company is not under the obligation to provide additional benefits to its former or current employees.

Benefits granted at retirement:

According to the collective labor agreement, the Company grants to its employees on retirement a variable number of salaries depending on length of service in the Company.

According to plan P1, the retirees receive the benefit according to seniority level in the Company, as follows:

- a) up to 20 years in the Company, one average gross salary at the unit level;
- b) between 20-30 years in the Company, 1 and $\frac{1}{2}$ of the gross average salary at the unit level;
- c) over 30 years in the Company, 2 gross average salary at the unit level.

In addition, according to plan P2, when the employees reach the age 50, they receive a benefit according to seniority level in the Company, as follows:

- a) 10-20 years in the Company, $\frac{1}{2}$ of the basic salary;
- b) Above 20 years in the Company, one basic salary;

Provisions for pensions and similar obligations are estimated based on the collective labor agreement of the Company, by a specialized appraiser – an actuarial expert.

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18. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

The following tables summarize the components of net benefit expense recognized in the income statement and the funded status and amounts recognized in the statement of financial position for the respective plan:

	31.12.2015	31.12.2015	Total 2015	31.12.2014	31.12.2014	Total 2014
Staff retirement indemnities						
	Retirement Indemnity Plan (P1)	Jubilee Awards Plan (P2)		Retirement Indemnity Plan (P1)	Jubilee Awards Plan (P2)	
Benefit obligation at beginning of year	681,000	427,000	1,108,000	431,000	370,000	801,000
Current service cost	32,000	25,000	57,000	17,000	17,000	36,000
Financial cost - interest (on benefit obligation)	32,000	19,000	51,000	22,000	16,000	38,000
Benefits paid	(56,000)	(56,000)	(112,000)	(109,000)	(53,000)	(162,000)
Plan curtailments	-	-	-	-	-	-
Plan amendments	-	-	-	-	(60,000)	(60,000)
Actuarial loss (gain) - change in demographic assumptions	(9,000)	(5,000)	(4,000)	319,000	137,000	456,000
Actuarial loss (gain) - change in financial assumptions	-	-	-	-	-	-
Benefit obligation at end of year	680,000	420,000	1,100,000	681,000	427,000	1,108,000
Net Defined Benefit Liability recognized in the balance sheet	680,000	420,000	1,100,000	681,000	427,000	1,108,000

	P1 31.12.2015	P2 31.12.2015	Total 2015	P1 31.12.2015	P2 31.12.2015	Total 2015
Movements in actuarial gain				Retirement Indemnity Plan (P1)	Jubilee Awards Plan (P2)	
Accumulated actuarial gains/losses at the beginning of the year	391,000	208,000	599,000	72,000	71,000	143,000
Actuarial (Gains) / Losses due to change in employees experience	-	-	-	274,000	127,000	401,000
Actuarial (Gains) / Losses due to changes in assumptions	(1,000)	(1,000)	(2,000)	45,000	10,000	55,000
Accumulated actuarial gains/losses at the end of the year	390,000	207,000	597,000	391,000	208,000	599,000
Assumptions to determine defined benefit obligations:						
Discount rate	4.25%	4.25%		4.75%	4.75%	
Rate of compensation increase	3.50%	3.50%		4.00%	4.00%	

	31.12.2015	Total 2015	31.12.2014	Total 2014
Recognized in the financial statements, according to actuarial report				
In profit and loss account	108,000	108,000	(97,000)	(97,000)
In SOCI (as other components of equity, included in Retained earnings)	(9,000)	(9,000)	319,000	319,000

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19. TRADE AND OTHER ACCOUNTS PAYABLES (CURRENT)

Trade accounts payable	31.12.2015	31.12.2014
Trade payables	35,421,104	23,617,614
Trade payables related parties	14,121,267	16,341,805
Advances received	123,823	142,465
Other payables	1,450	14,153
Total	49,667,644	40,116,037

Other current liabilities	31.12.2015	31.12.2014
Wages and salaries payable	6,379,167	7,065,893
Social security contributions	1,028,616	1,698,831
Claw back tax (*)	1,983,899	4,366,909
Other taxes	406,399	658,757
Dividends payable	14,216,686	10,346,906
Other liabilities	2,115,273	1,588,071
Total	26,130,040	25,725,367

(*) Claw back	31.12.2015	31.12.2014
Initial estimate of the tax liability to the state budget related to the last quarter	2,531,244	3,730,816
Regularization of the claw back tax related to the last quarter, according to the notification received from the CNAS	(547,345)	636,093
Total	1,983,899	4,366,909

The terms and conditions of the financial liabilities mentioned above:

Trade payables are non-interest bearing and are normally settled between 30-90 day terms.

For terms and conditions concerning joint ventures and other related parties, see Note 20.

For explanations on the Company's credit risk management processes, see Note 22.

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20. RELATED PARTY DISCLOSURES

20.1 Nature of the relationships with related parties ("affiliated entities and other related parties")

An entity is "related" to another entity if:

- a) directly or indirectly, through one or more entities:
 - it controls or is controlled by the other entity or it is subject to the joint control of the other entity (including the - - parent companies, the subsidiaries or the member subsidiaries);
 - it has an interest in the respective entity, which gives a significant influence on it; or
 - it holds joint control on the other entity;
- b) it represents an entity associated to the other entity;
- c) it represents a joint venture in which other entity is an associate;
- d) it represents a member of the entity or the parent company key management;
- e) it represents a close family member of the person mentioned at points a) or d);
- f) it represents an entity which is controlled, jointly controlled or significantly influenced or for which the significant voting right in such entity is granted, directly or indirectly, by any of the persons mentioned at points d) or e); or
- g) the entity represents a post-employment benefits plan for the other entity employees or for the employees of any other entity related to such entity.

• **Details of other related parties:**

Company name	Nature of relationship	Types of transactions	Country of origin	Headquarter
Zentiva k.s. Praha	Company under joint control	Goods and services purchase / Revenue from services	Czech Republic	Prague
Zentiva Group Praha a.s.	Company under joint control	Services purchase	Czech Republic	Prague
Zentiva International, a.s.	Company under joint control	Services purchase	Slovakia	Bratislava
Zentiva International, a.s. - Sucursala Bucuresti	Subsidiary of Zentiva International, a.s. which is a company under joint control	Services and goods sales	Slovakia	Romania
Zentiva a.s. Hlohovec	Company under joint control	Goods and services purchase / Services sales	Slovakia	Hlohovec
Zentiva Saglik Urunleri	Company under joint control	Goods and services purchase / Services sales	Turkey	Istanbul
Sanofi Romania SRL	Company under joint control	Services and goods sales	Romania	Bucharest
Sanofi Winthrop Industries	Company under joint control	Goods and services purchase / Services sales	France	Genilly Cedex
Carraig Insurance Limited	Company under joint control	Insurance	Ireland	Dublin
Sanofi SA	Company under joint control	Loan	France	Paris
Sanofi Aventis Bulgaria eood	Company under joint control	Services sale	Bulgaria	Sofia
Sanofi-Aventis Private Co. Ltd.	Company under joint control	Services sale	Hungary	Budapest
Zentiva ks	Company under joint control	Services sales and purchases	Czech Republic	Budapest
Sanofi Aventis Groupe	Company under joint control	Services sales and purchases	France	Antony
Sanofi Aventis Spa	Company under joint control	Services purchases	Italy	Milano
sanofi-aventis Deulshland	Company under joint control	Services purchases	Germany	Frankfurt
Sanofi India Limited	Company under joint control	Services sales	India	Mumbai
Sanofi Chimie	Company under joint control	Services purchases	France	Sisteron Cedex
Sanofi Aventis S.p.z.o	Company under joint control	Services purchases	Poland	Warsaw
FRM Merial S.A.S	Company under joint control	Goods sale	France	Lyon
Sanofi Aventis S.A.U	Company under joint control	Services purchases	Spain	Barcelona
Francopia	Company under joint control	Goods purchases	France	Antony Cedex
Sanofi Synthelabo LTD	Company under joint control	Equipment purchases	UK	Fawdon Newcastel
Chinoi Private Co. LTD	Company under joint control	Goods sale	Hungary	Budapest

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20. RELATED PARTY DISCLOSURES (continued)

20.2 Related parties ("affiliated entities and other related parties") receivables and payables

• **Receivables from related parties ("affiliated entities and other related parties"):**

	<u>Balance at 31 December 2015</u>	<u>Balance at 31 December 2014</u>
Zentiva a.s Bratislava	750,222	1,406,871
Zentiva Saglik Urunleri	382,022	-
Sanofi Romania sRL	164,547,606	142,363,952
Sanofi India Limited	183,546	1,278,341
Sanofi Winthrop Industrie	38,334,279	43,835,446
Zentiva Group	-	-
Sanofi-Aventis Private Co. Ltd.	131,653	40,325
Sanofi Aventis Bulgaria eood	84,789	72,780
Zentiva ks	432,371	607,016
Sanofi Aventis Groupe	352,716	525,687
Sanofi Aventis Spa	24,500	8,664
Chinoin Private Co Ltd	54,281	-
Total	<u>205,277,985</u>	<u>189,824,774</u>

• **Payables to related parties ("affiliated entities and other related parties"):**

	<u>Balance at 31 December 2015</u>	<u>Balance at 31 December 2014</u>
Zentiva A.S. Bratislava	54,738	-
Zentiva KS Praga	-	-
Zentiva Group	2,967,571	3,822,404
Sanofi Chimie	1,066	8,743
Carraig Insurance Limited	37,402	28,280
Sanofi-Aventis Deutschland	9,778	20,386
Sanofi Winthrop Industries	8,001,320	10,578,895
Sanofi Romania SRL	2,088,417	1,865,354
Zentiva Saglik Urunleri	2,000	2,000
Sanofi Aventis Spa	100,567	15,743
Francopia	120,495	-
Sanofi Synthelabo Ltd	368,669	-
Sanofi Aventis Private Co	369,244	-
Total	<u>14,121,267</u>	<u>16,341,805</u>

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20. RELATED PARTY DISCLOSURES (continued)

20.3 Details regarding transactions with related parties ("affiliated entities and other related parties")

• Sales of goods and services and / or non-current assets

	Financial year ended as at 31 December 2015	Financial year ended as at 31 December 2014
Zentiva kS Praga	863,728	1,206,805
Zentiva International AS Hlohovec - Sucursala Bucuresti	-	-
Zentiva AS Hlohovec	5,281,491	5,745,872
Zentiva Saglik Urunleri	4,516,411	4,527,223
Sanofi Romania SRL	210,511,457	207,285,482
Sanofi Winthrop Industrie	178,251,093	178,388,759
Sanofi India Limited	1,459,574	2,460,750
Zentiva Group	-	-
Sanofi-Aventis Private Co.Ltd.	131,653	39,983
Sanofi-aventis Bulgaria EOOD	84,789	72,780
Sanofi-Aventis Spa	-	8,664
Sanofi Aventis Groupe	1,459,991	522,070
Chinoïn Private Co Ltd	54,281	-
Total	402,614,468	400,258,388

The amount of RON 65,734,417 (2014: RON 33,202,530) representing the sales to Sanofi Winthrop Industrie which are related to merchandise produced in Turkey and certified for export within European Union and eliminated from the total sales by the Group due to the fact the Company acted as agent for this type of transactions. The respective sales are offset with the cost of related merchandise.

The sales presented above do not include the impact of the claw-back tax, as presented in Note 5.1 Turnover.

• Purchases of goods and services

	Financial year ended as at 31 December 2015	Financial year ended as at 31 December 2014
Zentiva AS Hlohovec	111,100	81,908
Zentiva Group	16,762,838	23,542,881
Zentiva Saglik Urunleri	-	5,857
Sanofi Romania SRL	11,233,758	9,794,871
Sanofi Winthrop Industrie	62,741,583	79,574,680
Carraig	259,034	271,112
Sanofi Chimie	10,854	21,292
sanofi-aventis Deutschland	72,943	-
Zentiva k.s.	419,492	2,446
Sanofi Aventis Spa	84,851	-
Sanofi Aventis Groupe	241,492	-
Sanofi Synthelabo Ltd	325,167	-
Sanofi Aventis Private Co	366,212	-
Sanofi Aventis Sp.z.o	3,765	-
Total	92,633,089	113,295,047

20. RELATED PARTY DISCLOSURES (continued)

The amount of RON 65,734,417 (2014: RON 33,202,530) representing the acquisitions from Sanofi Winthrop Industrie which are related to merchandise produced in Turkey and certified for export within European Union and eliminated from the total sales by the Group due to the fact the Company acted as agent for this type of transactions. The respective sales are offset with the cost of related merchandise.

The ultimate parent

The ultimate parent of the Company is Sanofi and is based and listed in France.

There were no transactions other than those already disclosed between the Company and Sanofi during the financial years 2015 and 2014.

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees granted or received for any related party receivables or payables.

Each financial year, an assessment is undertaken through examining the financial position of the related party and the market in which the related party operates.

20.4 Compensation of key management personnel of the Company

Administrators, directors and supervisory body

In 2015, the Company has paid the following amounts to the members of the Board of Administration ("C.A.") for attendance of regular board meetings:

	Financial year ended as at 31 December 2015	Financial year ended as at 31 December 2014
C.A. Members	54,000	54,000
Total	54,000	54,000

The Company does not have any obligations regarding pension payments to former C.A. members, executive management and members of the supervisory body as at 31 December 2015.

At year end there were no guarantees or other future obligations undertaken by the Company on behalf of the administrators or directors.

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21. COMMITMENTS AND CONTINGENCIES

Rent and leasing expenses – future obligations:

Commitments (RON)	<u>Less than 1 year</u>	<u>Between 1-5 years</u>
ALD Automobile – leasing operational auto	64,014	3,065,885

Commitments

The company has an ongoing rent contract for Gara Herastrau offices, for the following 5 years start with 1 June 2015. The expenses related to future payments amounts to RON 525,290.

The company has letter of guarantees and cash collateral (note 14).

Taxation

All amounts due to State authorities for taxes have been paid or accrued at the balance sheet date. The Romanian tax system undergoes a consolidation process and is being harmonized with the European legislation. Different interpretations may exist at the level of the tax authorities in relation to the tax legislation that may result in additional taxes and penalties payable. Where the State authorities have findings from reviews relating to breaches of Romania's tax laws, and related regulations these may result in: confiscation of the amounts in case; additional tax liabilities being payable; fines and penalties (that are applied on the total outstanding amount). As a result the fiscal penalties resulting from breaches of the legal provisions may result in a significant amount payable to the State.

The Company believes that it has paid in due time and in full all applicable taxes, penalties and penalty interests in the applicable extent.

Romanian tax authorities have completed reviews of corporate tax up to April 2004 and VAT up to December 2006.

In Romania, the tax position is open to further verification for 5 years.

Transfer pricing

According to the applicable relevant Romanian tax legislation, the tax assessment of related party transactions is based on the concept of market value for the respective transfers. Following this concept, the transfer prices should be adjusted so that they reflect the market prices that would have been set between unrelated companies acting independently (i.e. based on the "arm's length principle").

It is likely that transfer pricing reviews will be undertaken in the future in order to assess whether the transfer pricing policy observes the "arm's length principle" and therefore no distortion exists that may affect the taxable base of the Romanian tax payer. The Company could not estimate the potential impact of a transfer pricing review.

Legal claims (including the estimated value)

As at 31 December 2014, the Company is involved in several litigations, of which the most significant are described below:

- Litigation with an individual for a plot of land located in Voluntari Commune with a surface of 25,000 sq. m. and net book value of RON 991,003. This land is fully impaired since 31 December 2015 (Note 9).

The Company's management considers that the respective litigations will not significantly impact the Company's operations and financial position and that it set sufficient provisions where there was significant risk.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities, other than derivatives, comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Company is exposed to credit risk and liquidity risk. The Company's senior management oversees the management of these risks. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Administration reviews and agrees policies for managing each of these risks which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise the following types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings, deposits and trade payables.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2015 and 2014.

The sensitivity analyses have been prepared on the basis that the amount of net debt. The ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is not significant, as the Company does not have loans as sources of finance.

As of 31 December 2015, the Company does not have short-term loans granted to the parent entity; in September 2013, the Company concluded a cash pooling agreement with the parent entity at a floating interest rate, as presented in note 11, 14. The Company's exposure to the interest rate risk changes on the market is not significant.

Interest rate sensitivity

Considering that the Company has only loans receivables, short term, the exposure to interest rate fluctuation would not generate a significant impact.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's presentation currency).

The Company has transactions in a currency other than its functional currency (RON).

The risk exposure to other currencies (mainly EUR and USD) is not though very significant and therefore the Company does not hedge this risk through derivative instruments.

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22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The detail of financial instruments in foreign currencies is presented as follows (amounts are RON equivalents):

31 December 2015	EUR	USD	RON	MDL	GBP	TOTAL
Trade receivables	2,130,993	54,439	205,476,125	-	-	207,661,556
Other current financial assets	-	-	-	-	-	-
Cash and cash equivalents	-	-	7,237,682	135,074	-	7,372,756
Total assets (1)	2,130,993	54,439	212,713,807	135,074	-	215,034,312
Trade accounts payable	13,551,331	817,108	35,297,881	-	1,324	49,667,644
Other current liabilities	-	-	26,130,041	-	-	26,130,041
Total liabilities (2)	13,551,331	817,108	61,427,922	-	1,324	75,797,685
Gap (1)- (2)	(11,420,338)	(762,669)	151,285,885	135,074	(1,324)	139,236,629

31 December 2014	EUR	USD	RON	MDL	GBP	Total
Trade receivables	4,306,237	-	192,408,193	-	-	196,714,430
Other current financial assets	-	-	-	-	-	-
Cash and cash equivalents	-	-	38,471,159	79,842	-	38,551,002
Total assets (1)	4,306,237	-	230,879,352	79,842	-	235,265,432
Trade accounts payable	14,761,887	616,357	24,736,787	-	1,006	40,116,037
Other current liabilities	-	-	25,765,466	-	-	25,765,466
Total liabilities (2)	14,761,887	616,357	50,502,253	-	1,006	65,881,502
Gap (1)- (2)	(10,455,650)	-	180,377,099	79,842	(1,006)	169,383,930

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar and EUR exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in EUR rate (+10%)- Effect in profit before tax	Change in USD rate (+10%)- Effect in profit before tax
2015	(1,047,027)	(76,267)
2014	(1,045,565)	(61,636)

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is rather not exposed to credit risk from its operating activities, as most of its trade receivables are from related parties; the exposure to credit risk from its financing activities, including deposits with banks is not significant, as such deposits are usually overnight, or under 3 months.

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22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Trade receivables

Customer credit risk is managed by the Company subject to its established policy; however the Company considers that the credit risk on trade receivables is low (mainly intercompany receivables).

Outstanding customer receivables are monitored and any shipments to major customers are analyzed.

The requirement for an impairment is analyzed at each reporting date on intervals to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 13. The Company evaluates the concentration of risk with respect to trade receivables as low.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2014 is the carrying amounts as illustrated in Note 14.

Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool.

The Company does not have long term financing (neither trade, nor finance liabilities).

All of the company's debt will mature in less than one year.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments and also the maturity profile of the Company's receivables based on contractual terms and conditions.

31 December 2015						Total
	On demand	<30 days	30-60 days	60-180 days	180-365 days	
Trade receivables	199,834,962	3,800,839	-	2,033,360	1,992,396	207,661,557
Other current financial assets	-	-	-	-	-	-
Cash and cash equivalents	841,886	1,323,560	-	5,207,310	-	7,372,756
Total assets (1)	200,676,848	5,124,399	-	7,240,670	1,992,396	215,034,313
Trade accounts payable	20,558,942	18,336,670	1,815,096	6,492,670	2,464,266	49,667,644
Total liabilities (2)	20,558,942	18,336,670	1,815,096	6,492,670	2,464,266	49,667,644

31 December 2014						Total
	On demand	<30 days	30-60 days	60-180 days	180-365 days	
Trade receivables	-	191,788,844	1,151,500	297,432	3,476,654	196,714,430
Other current financial assets	-	-	-	-	-	-
Cash and cash equivalents	967,637	33,263,782	-	4,319,583	-	38,551,102
Total assets (1)	967,637	225,052,626	1,151,500	4,617,015	3,476,654	235,265,432
Trade accounts payable	-	35,056,709	1,729,091	1,855,719	1,474,517	40,116,036
Total liabilities (2)	-	35,056,709	1,729,091	1,855,719	1,474,517	40,116,036

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

Capital includes equity attributable to the equity holders. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize the shareholder's 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 objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

23. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

There are no identified material subsequent events not included within these financial statements.