

Sanofi Pasteur Ltd.

Financial statements
for the years ended December 31, 2020 and 2019
with the independent auditor's report

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Independent auditor's report

The Shareholders and Board of Directors Sanofi Pasteur Ltd.

Opinion

We have audited the financial statements of Sanofi Pasteur Ltd. (the "Company"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019 and its financial performance and its cash flows for the years then ended in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea ("KGAAP").

Basis for opinion

We conducted our audit in accordance with Korean Auditing Standards ("KGAAS"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with KGAAP, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KGAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with KGAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



March 19, 2021

This audit report is effective as of March 19, 2021, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

Sanofi Pasteur Ltd.

Financial statements
for the years ended December 31, 2020 and 2019

“The accompanying financial statements, including footnotes,
have been prepared by the Company.”

Pascal Robin
Chief Executive Officer
Sanofi Pasteur Ltd.

Sanofi Pasteur Ltd.
Statements of financial position
as of December 31, 2020 and 2019

(Korean won)

| | <u>2020</u> | <u>2019</u> |
|---|-------------------------|-------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | ₩ 1,451,243,822 | ₩ 3,454,970,380 |
| Trade accounts receivable, net of allowance for doubtful accounts of ₩392,278,065 in 2020 (₩382,650,849 in 2019) (Note 8) | 14,888,144,334 | 23,979,251,795 |
| Other accounts receivable (Note 9) | 130,879,500 | 110,761,617 |
| Advanced payments | 32,728,358 | 26,288,000 |
| Prepaid value added tax | 140,008,348 | - |
| Prepaid expenses | 186,101,428 | 119,527,629 |
| Deferred tax assets (Note 13) | 2,447,734,875 | 2,826,433,680 |
| Inventories | 19,251,433,321 | 17,483,374,067 |
| Total current assets | <u>38,528,273,986</u> | <u>48,000,607,168</u> |
| Non-current assets: | | |
| Other investment assets | - | 75,000,000 |
| Property and equipment, net (Notes 4 and 5) | 28,687,500 | 53,058,206 |
| Intangible assets, net (Note 6) | 17,578,167 | 24,450,205 |
| Refundable deposits (Note 9) | 192,613,088 | 203,169,088 |
| Long-term prepaid expenses | 117,000,000 | - |
| Deferred tax assets (Note 13) | - | 38,520 |
| Total non-current assets | <u>355,878,755</u> | <u>355,716,019</u> |
| Total assets | <u>₩ 38,884,152,741</u> | <u>₩ 48,356,323,187</u> |

(Continued)

Sanofi Pasteur Ltd.
Statements of financial position
as of December 31, 2020 and 2019 (cont'd)

(Korean won)

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------------|--------------------------------|
| Liabilities | | |
| Current liabilities: | | |
| Trade accounts payable (Note 9) | ₩ 6,508,792,734 | ₩ 916,462,058 |
| Short-term borrowings (Notes 7, 9 and 14) | - | 14,000,000,000 |
| Advances received | 16,463,809 | 22,093,885 |
| Other accounts payable | 2,228,140,975 | 1,960,112,362 |
| Accrued expenses (Note 9) | 6,415,097,647 | 5,338,173,275 |
| Withholdings | 49,963,711 | 176,731,289 |
| Value-added tax payable | - | 1,652,288,707 |
| Income tax payable (Note 13) | 544,158,931 | 123,264,558 |
| Provision for sales return (Note 8) | 2,683,061,205 | 7,480,028,968 |
| Total current liabilities | <u>18,445,679,012</u> | <u>31,669,155,102</u> |
| Non-current liabilities | - | - |
| Total liabilities | <u>18,445,679,012</u> | <u>31,669,155,102</u> |
| Equity: | | |
| Capital stock (Note 10) | 550,000,000 | 550,000,000 |
| Retained earnings (Note 11) | 19,888,473,729 | 16,137,168,085 |
| Total equity | <u>20,438,473,729</u> | <u>16,687,168,085</u> |
| Total liabilities and equity | <u>₩ 38,884,152,741</u> | <u>₩ 48,356,323,187</u> |

The accompanying notes are an integral part of the financial statements.

Sanofi Pasteur Ltd.
Statements of income
for the years ended December 31, 2020 and 2019

(Korean won)

| | 2020 | 2019 |
|---|------------------------|------------------------|
| Sales (Note 9) | ₩ 77,668,781,140 | ₩ 78,253,345,942 |
| Cost of sales (Notes 9 and 15) | <u>54,483,259,758</u> | <u>55,970,221,232</u> |
| Gross profit | 23,185,521,382 | 22,283,124,710 |
| Selling and administrative expenses (Notes 16 and 17) | <u>18,147,368,868</u> | <u>18,442,724,043</u> |
| Operating income | 5,038,152,514 | 3,840,400,667 |
| Other income (expenses): | | |
| Interest income | 13,478,119 | 25,976,893 |
| Interest expense | (316,261,243) | (630,082,036) |
| Gain on foreign currency transactions, net | 29,852,683 | 89,118,343 |
| Gain (loss) on foreign currency translation, net | (38,858,578) | 8,191,691 |
| Donations | (30,460,000) | (5,500,000) |
| Others, net | 184,037,386 | 207,006,294 |
| | <u>(158,211,633)</u> | <u>(305,288,815)</u> |
| Income before income taxes | 4,879,940,881 | 3,535,111,852 |
| Income tax expenses (Note 13) | 1,128,635,237 | 755,724,598 |
| Net income | <u>₩ 3,751,305,644</u> | <u>₩ 2,779,387,254</u> |
| Basic earnings per share (Note 12) | ₩ 68,206 | ₩ 50,534 |

The accompanying notes are an integral part of the financial statements.

Sanofi Pasteur Ltd.
Statements of changes in equity
for the years ended December 31, 2020 and 2019

(Korean won)

| | <u>Capital stock</u> | <u>Retained earnings</u> | <u>Total</u> |
|--------------------------------|----------------------|--------------------------|-------------------------|
| As of January 1, 2019 | ₩ 550,000,000 | ₩ 13,357,780,831 | ₩ 13,907,780,831 |
| Net income | - | 2,779,387,254 | 2,779,387,254 |
| As of December 31, 2019 | <u>₩ 550,000,000</u> | <u>₩ 16,137,168,085</u> | <u>₩ 16,687,168,085</u> |
| As of January 1, 2020 | ₩ 550,000,000 | ₩ 16,137,168,085 | ₩ 16,687,168,085 |
| Net income | - | 3,751,305,644 | 3,751,305,644 |
| As of December 31, 2020 | <u>₩ 550,000,000</u> | <u>₩ 19,888,473,729</u> | <u>₩ 20,438,473,729</u> |

The accompanying notes are an integral part of the financial statements.

Sanofi Pasteur Ltd.
Statements of cash flows
for the years ended December 31, 2020 and 2019
(Korean won)

| | 2020 | 2019 |
|---|-----------------------|-----------------------|
| Cash flows from operating activities: | | |
| Net income | ₩ 3,751,305,644 | ₩ 2,779,387,254 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation of property and equipment | 24,370,706 | 36,225,103 |
| Provision for bad debt allowance (reversal) | 30,996,667 | (145,066,579) |
| Amortization of intangible assets | 6,872,038 | 7,348,229 |
| Provision for allowance for inventory valuation (reversal) | 2,264,536,561 | (4,976,922,426) |
| Loss (gain) on foreign currency translation, net | 38,858,578 | (8,191,691) |
| Changes in operating assets and liabilities: | | |
| Trade accounts receivable | 9,021,252,216 | 9,286,549,815 |
| Other accounts receivable | (20,117,883) | 15,678,642 |
| Advanced payments | (6,440,358) | (25,088,000) |
| Prepaid expenses | (183,573,799) | 150,881,414 |
| Deferred tax assets | 378,736,625 | 125,175,380 |
| Inventories | (4,032,595,815) | 7,577,248,509 |
| Trade accounts payable | 5,592,330,676 | (7,263,439,205) |
| Other accounts payable | 268,028,613 | 445,117,859 |
| Accrued expenses | 1,076,924,372 | 1,967,609,166 |
| Withholdings | (126,767,578) | 72,199,840 |
| Value-added tax payable | (1,792,297,055) | 880,460,703 |
| Income tax payable | 420,895,073 | (358,527,877) |
| Advanced receipts | (5,630,076) | (36,844,676) |
| Provision for sales return | (4,796,967,763) | 2,042,692,680 |
| Total adjustments | <u>8,159,411,798</u> | <u>9,793,106,886</u> |
| Net cash provided by operating activities | <u>11,910,717,442</u> | <u>12,572,494,140</u> |

(Continued)

Sanofi Pasteur Ltd.
Statements of cash flows
for the years ended December 31, 2020 and 2019 (cont'd)
(Korean won)

| | 2020 | 2019 |
|---|-------------------------|-------------------------|
| Cash flows from investing activities: | | |
| Decrease in refundable deposits | 10,556,000 | 28,500,000 |
| Decrease in other investment assets | 75,000,000 | - |
| Acquisition of intangible assets | - | -2,000,000 |
| Net cash provided by investing activities | <u>85,556,000</u> | <u>26,500,000</u> |
| Cash flows from financing activities: | | |
| Increase in short-term borrowings | 14,500,000,000 | 19,000,000,000 |
| Repayment of short-term borrowings | (28,500,000,000) | (30,000,000,000) |
| Net cash used in financing activities | <u>(14,000,000,000)</u> | <u>(11,000,000,000)</u> |
| Net increase (decrease) in cash and cash equivalents | (2,003,726,558) | 1,598,994,140 |
| Cash and cash equivalents at the beginning of the year | <u>3,454,970,380</u> | <u>1,855,976,240</u> |
| Cash and cash equivalents at the end of the year | <u>₩ 1,451,243,822</u> | <u>₩ 3,454,970,380</u> |

The accompanying notes are an integral part of the financial statements.

1. Corporate information

Sanofi Pasteur Ltd. (the "Company") was incorporated on September 19, 1997 under the laws of the Republic of Korea to engage in the import, sale and development of pharmaceutical products. The Company was registered as a foreign-invested company in September 1997 under the *Foreign Capital Inducement Law* of the Republic of Korea.

As of December 31, 2020, the Company is wholly owned by Sanofi Pasteur S.A. of France.

The financial statements were approved by the Board of Directors on March 15, 2021 and are expected to be submitted for the Company's annual general meeting of shareholders.

2. Summary of significant accounting policies

2.1 Revenue recognition

Revenue from sale of goods is recognized when significant risks and rewards of ownership of goods have passed to the buyer. Other revenue is recognized to the extent that it is highly probably the economic benefit will flow to the company and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received or received for the sale of goods, the provision of services or the use of assets, and sales allowances, discount and reversal of revenue are deducted from revenue. If the consideration paid to the purchaser is for the distinct goods or services received from the purchaser, revenue is not deducted.

2.2 Provision for sales return

The Company estimates the expected returns of goods sold based on the Company's past experience and provides a provision for such returns based on the gross margin of estimated sales returns.

2.3 Cash equivalents

Highly liquid deposits and marketable securities with original maturities of three months or less, and which have no significant risk of loss in value by interest rate fluctuations, are considered as cash equivalents.

2.4 Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts in consideration of the estimated losses that may arise from non-collection of its receivables. The estimate of losses, if any, is based on an individual analysis and historical bad debt experience rate of the outstanding receivables.

2.5 Inventories

Inventories are stated at the lower of cost or net realizable value, with cost being determined using the weighted-average method except for merchandise-in-transit which is determined using the specific identification method. A perpetual inventory system is used to record inventories, in which inventories are adjusted to physical inventory counts that are performed at the end of the year.

Inventories are stated at the lower of cost or net realizable value, with cost being determined using the total average method. Loss on valuation of inventory is recognized in cost of sales for the years ended December 31, 2020 ₩2,264,537 thousand (2019: reversal on loss on valuation of inventory ₩4,976,922 thousand).

2.6 Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Acquisition costs include purchase cost, production cost and other expenditures that the Company incurs to prepare the assets in a status consistent with the intention of the management. Maintenance and repairs are expensed in the year in which they are incurred. Expenditures which satisfy the criteria for recognition of the tangible assets are capitalized.

2.6 Property and equipment, (cont'd)

Depreciation of property and equipment is provided using the straight-line method over the estimated useful life of the assets as follows:

| | Years |
|-----------------------|-------|
| Furniture and fixture | 3-5 |
| Equipment | 4 |

2.7 Intangible assets

Intangible assets of the Company consist of software, which are stated at cost less accumulated amortization. Amortization is recognized as an expense based on the straight-line method over the estimated useful life of 5 years.

2.8 Impairment of assets

When the recoverable amount of an asset is less than its carrying amount due to obsolescence, physical damage or abrupt decline in the market value of the asset, the decline in value, if material, is deducted from the carrying amount and recognized as an asset impairment loss in the current year.

If, in a subsequent year, the recoverable amount exceeds the carrying amount because of an event occurring after the impairment was recognized, the previously recognized impairment loss is credited to the extent of carrying amount net of depreciation, had no impairment loss been recognized for the assets in prior years.

2.9 Severance and retirement benefits

The Company operates a defined contribution pension plan ("DC plan") under which the amount contributed by the Company is expensed except for those included as part of acquisition cost. The contribution made by the Company in excess of the required funding amount is recorded as pension asset whereas the contribution amount that falls short of the required funding amount is recorded as pension liabilities.

2.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the appropriate exchange rates on the statement of financial position date. The resulting unrealized foreign currency translation gains or losses are credited or charged to current operations.

2.11 Deferred taxes

Deferred taxes are provided using the liability method for the tax effect of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse, and are classified as current or non-current, respectively, based on the classification of the related asset or liability in the statement of financial position. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. In addition, current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity (Note 13).

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.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related asset or liability for financial reporting or the expected reversal date of the temporary difference for those with no related asset or liability such as loss carry forwards and tax credit carry forwards. The deferred tax amounts are presented as a net current asset or a liability and net non-current asset or liability.

2.12 Earnings per share

Basic earnings per share are computed by dividing net income by the weighted-average number of common shares outstanding during the year.

3. Significant judgments and accounting estimates

The preparation of financial statements in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea ("KGAAP") requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Property and equipment

Changes in the net book value of property and equipment for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

| | 2020 | | | |
|-----------------------|----------|--------------------------|--------------|--------|
| | Jan.1 | Additions (Disposals) | Depreciation | Dec.31 |
| Furniture and fixture | ₩ 7,158 | - | (7,158) | - |
| Equipment | 45,900 | - | (17,213) | 28,687 |
| | ₩ 53,058 | - | (24,371) | 28,687 |

| | 2019 | | | |
|-----------------------|----------|--------------------------|--------------|--------|
| | Jan.1 | Additions (Disposals) | Depreciation | Dec.31 |
| Furniture and fixture | ₩ 26,170 | - | (19,012) | 7,158 |
| Equipment | 63,113 | - | (17,213) | 45,900 |
| | ₩ 89,283 | - | (36,225) | 53,058 |

5. Insurance

As of December 31, 2020, The Company is co-insured under a joint policy with sanofi-aventis Korea Co., Ltd. For property and equipment against fire and other casualty losses and discontinued business up to ₩238,708,490,762, product liabilities and others up to €5,000,000. In addition, The Company is insured for Directors & Officers Liability for up to \$2,000,000 and Personal Information Protection Liabilities Insurance up to ₩100,000,000 and etc.

6. Intangible assets

Changes in the net book value of intangible assets for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

| | Software | |
|-------------------|----------|----------|
| | 2020 | 2019 |
| As of January 1 | ₩ 24,450 | ₩ 29,798 |
| Additions | - | 2,000 |
| Amortization | (6,872) | (7,348) |
| As of December 31 | ₩ 17,578 | ₩ 24,450 |

7. Short-term borrowings

Short-term borrowings as of December 31, 2020 and 2019 consist of the following (Korean won in thousands):

| Financial institution | Description | Annual interest rate (%) as of Dec. 31, 2020 | 2020 | 2019 |
|--------------------------------|---------------------------------|--|------|--------------|
| sanofi-aventis Korea Co., Ltd. | Borrowings from related parties | - | ₩ - | ₩ 14,000,000 |

8. Provisions

8.1 Allowance for doubtful accounts

Changes in allowance for doubtful accounts for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

| | 2020 | 2019 |
|-------------------|-----------|-----------|
| Jan. 1 | ₩ 382,651 | ₩ 604,766 |
| Bad debt expenses | 30,997 | 12,661 |
| Reversal | - | (157,727) |
| Write-off | (21,369) | (77,049) |
| Dec. 31 | ₩ 392,279 | ₩ 382,651 |

8.2 Provision for sales return

Changes in provision for sales return for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

| | 2020 | 2019 |
|-------------|-------------|-------------|
| Jan. 1 | ₩ 7,480,030 | ₩ 5,437,337 |
| Provision | 1,808,757 | 7,058,463 |
| Utilization | (6,605,725) | (5,015,770) |
| Dec. 31 | ₩ 2,683,062 | ₩ 7,480,030 |

9. Related party disclosures

The parent company of the Company is Sanofi Pasteur S.A. of France and the ultimate parent company is Sanofi S.A. of France.

Significant transactions with related parties for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

| | 2020 | | |
|----------------------------------|-------------|----------------|---------------|
| | Sales | Purchase | |
| | Merchandise | Merchandise | Other |
| sanofi-aventis Korea Co., Ltd. | ₩ - | ₩ - | ₩ (1,550,939) |
| Sanofi Pasteur S.A. | - | (36,564,846) | (612,686) |
| Sanofi Pasteur Inc. | - | (10,113,870) | - |
| Sanofi Pasteur Ltd | - | (3,158,674) | - |
| Sanofi-Aventis Singapore Pte Ltd | 792,543 | - | - |
| SANOFI PASTEUR, INC | 775,246 | - | - |
| SANOFI PASTEUR Ltd | 373,228 | - | - |
| Sanofi-Aventis Del Ecuador S.A. | 306,718 | - | - |
| Sanofi-Aventis del Peru, S.A. | 269,113 | - | - |
| SANOFI CAMBODIA | 252,430 | - | - |
| SANOFI-AVENTIS (MALAYSIA) | 254,468 | - | - |
| Other related parties | 624,153 | - | - |
| | ₩ 3,647,900 | ₩ (49,837,390) | ₩ (2,163,625) |

9. Related party disclosure (cont'd)

| | 2019 | | | |
|-----------------------------------|-------------|-----------|----------------|---------------|
| | Sales | | Purchase | |
| | Merchandise | Other | Merchandise | Other |
| sanofi-aventis Korea Co., Ltd. | ₩ - | ₩ - | ₩ - | ₩ (1,881,501) |
| Genzyme Korea Co., Ltd.(*1) | - | - | - | (248,778) |
| Sanofi Pasteur S.A. | - | 226,215 | (34,788,096) | (1,089,170) |
| Sanofi Pasteur Inc. | 849,641 | - | (5,041,080) | - |
| Sanofi Pasteur Ltd | 666,224 | - | (4,439,920) | - |
| Sanofi-aventis Singapore Pte.Ltd. | 658,342 | - | - | (90,318) |
| Sanofi Russia AO | 696,646 | - | - | - |
| Other related parties | 2,464,047 | 4,484 | - | - |
| | ₩ 5,334,900 | ₩ 230,699 | ₩ (44,269,096) | ₩ (3,309,767) |

(*1) Transactions prior to the business combination under common control during the current reporting period have been included.

The major receivables and payables of the related parties as of December 31, 2020 and 2019 are as follows (Korean won in thousands):

| | 2020 | | | | |
|----------------------------------|---------------------------|----------------------------|---------------------|------------------------|------------------|
| | Trade account receivables | Other accounts receivables | Refundable deposits | Trade accounts payable | Accrued expenses |
| sanofi-aventis Korea Co., Ltd. | ₩ - | ₩ - | ₩ 192,613 | ₩ 148,911 | ₩ - |
| Sanofi Pasteur S.A. | - | 86,790 | - | 3,760,339 | 285,927 |
| Sanofi-aventis Singapore Pte.Ltd | 204,023 | - | - | - | - |
| Sanofi Pasteur Inc. | - | - | - | 2,230,680 | - |
| Other related parties | 535,862 | - | - | - | - |
| | ₩ 739,885 | ₩ 86,790 | ₩ 192,613 | ₩ 6,139,930 | ₩ 285,927 |

| | 2019 | | | | | |
|----------------------------------|---------------------------|----------------------------|---------------------|------------------------|------------------|-----------------------|
| | Trade account receivables | Other accounts receivables | Refundable deposits | Trade accounts payable | Accrued expenses | Short-term borrowings |
| sanofi-aventis Korea Co., Ltd. | ₩ - | ₩ - | ₩ 192,613 | ₩ 139,213 | ₩ 21,173 | ₩ 14,000,000 |
| Sanofi Pasteur S.A. | - | 110,762 | - | 121,718 | 345,766 | - |
| Sanofi-aventis Singapore Pte.Ltd | 159,947 | - | - | - | - | - |
| Other related parties | 569,988 | - | - | - | - | - |
| | ₩ 729,935 | ₩ 110,762 | ₩ 192,613 | ₩ 260,931 | ₩ 366,939 | ₩ 14,000,000 |

Significant borrowing transactions with related parties for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

| | 2020 | | | |
|-------------------------------|--------------|--------------|----------------|--------|
| | Beginning | Borrowing | Debt repayment | Ending |
| sanofi-aventis Korea Co., Ltd | ₩ 14,000,000 | ₩ 14,500,000 | ₩ (28,500,000) | ₩ - |

| | 2019 | | | |
|-------------------------------|-------------|--------------|----------------|--------------|
| | Beginning | Borrowing | Debt repayment | Ending |
| sanofi-aventis Korea Co., Ltd | ₩ 7,000,000 | ₩ 19,000,000 | ₩ (12,000,000) | ₩ 14,000,000 |
| Genzyme Korea Co., Ltd. | 18,000,000 | - | (18,000,000) | - |

10. Capital stock

There were no changes in the Company's capital stock for the years ended December 31, 2020 and 2019, and details are as follows:

| | |
|--|-----------------|
| Number of shares authorized | : 55,000 shares |
| Par value per share | : ₩10,000 |
| Number of common shares issued and outstanding | : 55,000 shares |

11. Rained earnings

11.1 Legal reserve

In accordance with the Korean Commercial Code, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of capital stock. The legal reserve may not be utilized for cash dividends but may only be used to offset a deficit, if any, or be transferred to capital.

11.2 The statements of appropriations of retained earnings

The statements of appropriation of retained earnings for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

| | 2020 (Proposed) | 2019 |
|---|-----------------|--------------|
| Retained earnings before appropriations: | | |
| Unappropriated retained earnings carried forward from the prior year | ₩ 16,112,168 | ₩ 13,332,781 |
| Net income for the year | 3,751,306 | 2,779,387 |
| Unappropriated retained earnings | 19,863,474 | 16,112,168 |
| Appropriations | - | - |
| Unappropriated retained earnings to be carried forward to the next year | ₩ 19,863,474 | ₩ 16,112,168 |

The statement of appropriations for the year ended December 31, 2020 is scheduled to be presented for approval on March 29, 2021 and the statement of appropriations for the year ended December 31, 2019 were approved on March 31, 2020.

12. Earnings per share

The Company's earnings per share amounts for the years ended December 31, 2020 and 2019 are computed as follows (Korean won in thousands):

| | 2020 | 2019 |
|--|-----------------|-----------------|
| Net income | ₩ 3,751,305,644 | ₩ 2,779,387,254 |
| Weighted-average number of shares of common stock outstanding (*1) | 55,000 | 55,000 |
| Basic earnings per share | ₩ 68,206 | ₩ 50,534 |

(*1) There is no change in the number outstanding shares for the periods ended December 31, 2020 and 2019.

There is no event after the reporting period that would have significant impact to ordinary shares.

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13. Income taxes

The major components of income tax expense for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

| | 2020 | 2019 |
|-------------------------------------|-------------|-----------|
| Current income taxes | ₩ 752,810 | ₩ 630,549 |
| Deferred taxes: | | |
| Tax effect of temporary differences | 375,825 | 125,175 |
| Income tax expense | ₩ 1,128,635 | ₩ 755,724 |

A reconciliation of income before income taxes at the Korea statutory tax rate to income tax expense at the effective income tax rate of the Company is as follows (Korean won in thousands):

| | 2020 | 2019 |
|--|-------------|-------------|
| Income before income taxes | ₩ 4,879,940 | ₩ 3,535,111 |
| Tax at the statutory income tax rate | ₩ 1,051,587 | ₩ 687,022 |
| Adjustments: | | |
| Expenses not deductible for tax purposes | 58,690 | - |
| Effect of changes in tax rate and others | 18,358 | 68,702 |
| Income tax expense at the effective income tax rate of 23.1% (2019: 21.4%) | ₩ 1,128,635 | ₩ 755,724 |

Significant changes in cumulative temporary differences and Deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

| | 2020 | | | | |
|--|--------------|---------------|--------------|----------------|-------------|
| | Jan. 1 | Net changes | Dec. 31 | Deferred taxes | |
| | | | | Current | Non-current |
| Temporary differences: | | | | | |
| Valuation allowance of inventories | ₩ 46,423 | ₩ 2,264,537 | ₩ 2,310,960 | ₩ 508,411 | ₩ - |
| Provision for sales return | 7,480,030 | (4,796,969) | 2,683,061 | 590,273 | - |
| Accrued expenses | 4,971,234 | 926,938 | 5,898,172 | 1,297,598 | - |
| Allowance for doubtful accounts | 357,931 | (123,726) | 234,205 | 51,525 | - |
| Gain (loss) on foreign currency translation, net | (8,192) | 7,862 | (330) | (73) | - |
| Others | 175 | (175) | - | - | - |
| | ₩ 12,847,601 | ₩ (1,721,533) | ₩ 11,126,068 | ₩ 2,447,734 | ₩ - |
| Deferred taxes recognized: | | | | | |
| Deferred tax assets | ₩ 2,826,472 | ₩ (378,737) | ₩ 2,447,735 | ₩ 2,447,734 | ₩ - |
| Deferred tax liabilities | - | - | - | - | - |
| | ₩ 2,826,472 | ₩ (378,737) | ₩ 2,447,735 | ₩ 2,447,734 | ₩ - |
| | 2019 | | | | |
| | Jan. 1 | Net changes | Dec. 31 | Deferred taxes | |
| | | | | Current | Non-current |
| Temporary differences: | | | | | |
| Valuation allowance of inventories | ₩ 5,023,346 | ₩ (4,976,923) | ₩ 46,423 | ₩ 10,213 | ₩ - |
| Provision for sales return | 5,437,336 | 2,042,690 | 7,480,030 | 1,645,607 | - |
| Accrued expenses | 2,686,458 | 2,284,776 | 4,971,234 | 1,093,671 | - |

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13. Income taxes (cont'd)

| | | | | | |
|--|---------------------|--------------------|---------------------|--------------------|-------------|
| Allowance for doubtful accounts | 266,513 | 91,418 | 357,931 | 78,774 | - |
| Gain (loss) on foreign currency translation, net | 2,474 | (10,666) | (8,192) | (1,802) | - |
| Others | 450 | (275) | 175 | - | 38 |
| | <u>₩ 13,416,577</u> | <u>₩ (568,980)</u> | <u>₩ 12,847,601</u> | <u>₩ 2,826,434</u> | <u>₩ 38</u> |
| Deferred taxes recognized: | | | | | |
| Deferred tax assets | ₩ 2,951,647 | ₩ (125,175) | ₩ 2,826,472 | ₩ 2,826,434 | ₩ 38 |
| Deferred tax liabilities | - | - | - | - | - |
| | <u>₩ 2,951,647</u> | <u>₩ (125,175)</u> | <u>₩ 2,826,472</u> | <u>₩ 2,826,434</u> | <u>₩ 38</u> |

14. Commitments and contingencies

The Company's lines of credit as of December 31, 2020 are presented as follows (Korean won in thousands):

| Financial institution | Type | 2020 | |
|-----------------------|----------------------|---------------------|------------|
| | | Line of credit | Execution |
| Deutsche Bank | Short term borrowing | ₩ 15,000,000 | ₩ - |
| | Payment guarantee | 2,100,000 | - |
| | | <u>₩ 17,100,000</u> | <u>₩ -</u> |

The Company entered into a master distribution agreement (the "Agreement") with LG Life Science Ltd. ("LG") and Sanofi Pasteur S.A. ("SPSA"). Under the terms of Agreement, the Company has exclusive distribution rights in certain territories for certain vaccines produced by and purchased from LG.

As of December 31, 2020, the Company has a case pending as a defendant in the Administrative Court with regards to the dismissal of employees, and the impact of the result of the case which occurred after the reporting period, is properly reflected in the financial statements. However, the outcome of future litigations cannot be predicted at this time.

15. Cost of sales

The components of cost of sales for the years ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

| | 2020 | 2019 |
|----------------------------|---------------------|---------------------|
| Beginning merchandise | ₩ 16,815,054 | ₩ 20,083,700 |
| Merchandise purchased | 54,729,799 | 52,701,575 |
| Transfer to other accounts | (24,960) | - |
| Ending merchandise | <u>(17,036,633)</u> | <u>(16,815,054)</u> |
| Cost of merchandise sold | <u>₩ 54,483,260</u> | <u>₩ 55,970,221</u> |

16. Selling and administrative expenses

Details of selling and administrative expenses for the years ended December 31, 2020 and 2019 are summarized as follows (Korean won in thousands):

| | 2020 | 2019 |
|-----------------------------------|---------------------|---------------------|
| Labor costs | ₩ 7,535,046 | ₩ 7,242,367 |
| Severance and retirement benefits | 769,544 | 870,860 |
| Employee welfare benefits | 431,948 | 435,951 |
| Advertising | 2,059,308 | 2,521,132 |
| Travel | 538,658 | 843,821 |
| Depreciation | 24,371 | 36,225 |
| Amortization | 6,872 | 7,348 |
| Freight | 840,953 | 867,867 |
| Entertainment | 26,870 | 76,345 |
| Rental costs | 321,594 | 388,175 |
| Service fees | 3,353,637 | 3,168,209 |
| Others | 1,704,297 | 1,984,424 |
| | <u>₩ 18,147,369</u> | <u>₩ 18,442,724</u> |

17. Value added information

The “value added” items as defined by KGAAP, which are required to be disclosed by the Company for the years ended December 31, 2020 and 2019, are as follows (Korean won in thousands):

| | 2020 | 2019 |
|-----------------------------------|---------------------|--------------------|
| Labor costs | ₩ 7,535,046 | ₩ 7,242,367 |
| Severance and retirement benefits | 769,544 | 870,860 |
| Employee welfare benefits | 431,948 | 435,951 |
| Rental costs | 321,594 | 388,175 |
| Depreciation | 24,371 | 36,225 |
| Amortization | 6,872 | 7,348 |
| Taxes and dues | 940,756 | 761,387 |
| | <u>₩ 10,030,131</u> | <u>₩ 9,742,313</u> |

18. Uncertainties of COVID-19

Various preventative measures and controls, including restrictions on movement, are being implemented worldwide in order to prevent the spread of COVID-19, which has had an extensive impact on the global economy. In addition, various forms of government support policies to cope with the COVID-19 are being announced. COVID-19 has had an impact on the collection of accounts receivable (see Note 8), the impairment of inventory, property and equipment and intangible assets (see Notes 4,5,6), and the recognition of provisions (see note 8). The financial statements have been prepared by taking into account a reasonable estimate of the impact of COVID-19 on the Company. However, significant accounting estimates and assumptions applied in preparing the Company’s financial statements may be adjusted depending on the changes arising from the uncertainties of COVID-19.