

***Annual Report of the Board of Directors
for the fiscal year 2017***

Reported date: 31/12/2017

- **S.C. ZENTIVA S.A.**
- **Registered office:** 50, Theodor Pallady Blvd., Bucharest
- **Phone / Fax:** 304.72.00, 304.75.00 / 345.40.04
- **No. and registration date with the Trade Register Office:** J40/363/1991
- **Tax Identification Number:** RO 336206
- **Class, type, no. and main characteristics of securities:** 416,961,150 dematerialized class I stocks;
- **Regulated market wherein trading is performed:** Bucharest Stock Exchange;
- **Market value:** RON/stock 3.44 representing the reference price on the last trading day in 2017;

Market capitalization as at the 31st of December 2017: million RON 1,434.35.

1. STOCKS AND SHAREHOLDERS

ZENTIVA S.A. (hereinafter, the "Company") was established in 1962 under the name Intreprinderea de Medicamente Bucuresti (hereinafter, "IMB"). The Company's current registered office is located in 50, Theodor Pallady Blvd., Bucharest.

In 1990, the Company absorbed and took over the entire patrimony of the former IMB in accordance with the Government's Decision.

In November 1999, the majority shareholding was taken over by the group of institutional investors formed of the European Bank for Reconstruction and Development, the Post-Privatization Foundation, GED Eastern Fund, Euromerchant Balcan Fund, Black See Fund and Galenica North East via the Cypriot company Venoma Holdings Limited.

In 27 June 2002, the Extraordinary General Shareholders' Meeting approved the increase in the share capital by the amount of old RON 277,974,100,000 (equivalent a 27,797,410 RON), respectively from the value of old RON 138,987,050,000 (equivalent of 13,898,705 RON) to the value of old RON 416,961,150,000 (equivalent of 41,696,115 RON), through the granting of 2 free stocks for each stock held by the shareholders registered with the Shareholders' Register as at the reference date 30/05/2002.

IN 12 October 2005, Zentiva N.V., a Dutch company seated in Amsterdam, The Netherlands, with branches in several European countries, purchased the stocks of Venoma.

In October 2005, Zentiva NV made a public offer regarding the purchase of the stocks of the issuer Sicomed SA, denominated afterwards Zentiva SA, for the amount of RON/stock 1.37, during the period between the 9 November 2005 -12 January 2006.

In March 2009, Sanofi-Aventis Europe announced its having become the shareholder of Zentiva N.V., holding approximately 96.8% shares.

In August 2009, Sanofi-Aventis Europe made a public offer regarding the purchase of the stocks of the issuer Zentiva SA, for the amount of RON/stock 0.7, during the period between the 12 August 2009 and the 22 September 2009.

The synthetic shareholding structure as of 31 December 2017, in comparison with the shareholding structure as of 31 December 2016 was the following:

Shareholding structure	31.12.2016	31.12.2017
Venoma Holdings Limited	50.981%	50.981%
ZENTIVA NV	23.928%	23.928%
Sanofi Aventis Europe	6.684%	6.684%
Other minority shareholders	18.362%	18.362%
Total	100%	100%

Source: Central Depository

The Company's stocks have been listed on the Standard Category of the Bucharest Stock Exchange starting from 1998.

Out of the total number of 416,961,150 stocks, 416,777,259 stocks are being traded on the capital market, the balance of 183,891 stocks being held by Zentiva S.A.

The Company did not trade its own stocks during the year 2017.

3. COMPANY'S ACTIVITY IN THE YEAR 2017 (continued)

The export activity in 2017 was 46% from total sales of goods (RON 203 million), comparing to 48% in 2016 (RON 204 million). The export sales were made through Sanofi Winthrop (a Group's company from European Union market and were mainly destined for markets from Germany (RON 82 million), France (RON 34 million), Poland (RON 13.4 million), and also in Czech Republic, Slovakia, Russia (RON 53.6 million).

The percentage of OTC products within Zentiva SA (over-the-counter medicines) from the total sales represented 14% in 2017 versus 12% in the previous year.

The sales by types of products 2016 - 2017 are presented below:

Product type	2016	2017
Ethical	88%	86%
OTC	12%	14%

b. Operating expenses

	Million RON		Variation	
	Previous year	Current year	%	Million RON
Operating expenses, out of which:	337.2	361.3	7.2%	24.1
Raw materials, consumables and goods	167.2	196.6	17,6%	29.4
Personnel expenses	50.5	59.1	17.0%	8.6
Depreciation and provisions; adjustments for impairment losses	14.1	21.4	51,8%	7.3
Other operating expenses	105.4	189.6	(20.11%)	(21.2)
Turnover	420.0	458.4	9,1%	38.4

The expenses with raw materials, consumables and goods increase by 17,6 % in 2017 comparing to year 2016. This category contains mainly raw materials of RON 117 million (2016: RON 97 million) packaging materials RON 40.7 million (2016: RON 38.9 million) and trading goods of RON 14.5 million (2016: RON 8.6 million) as well the cost of goods sold in amount of RON 14,5 million (2016: RON 8,6 million).

In 2017, the cost of raw materials was 43% from total value of sales of goods, comparing with 40% in 2016, and the increase coming mainly due to the increase in the quantities produced and sold and also due to the increase in cost of raw materials generated by the unfavorable evolution of RON/USD in the current year.

Zentiva's policy is to permanently look for suppliers of high quality raw materials. The Quality Assurance Department carries out sustained assessments of prospect manufacturers, and also of the existing ones. The envisaged aspects are both the quality documentation supplied by them, which is necessary for authorization purposes and the quality of the supplied products, along with their behavior during the operating process.

The personnel expenses increased by 17% in 2017, respectively by RON 8.6 million; the number of employees counted 548 at the end of 2017 and 53 at the end of 2016. Increasing labor costs was influenced by the annual indexation of wages employees according to Company's policy.

3. COMPANY'S ACTIVITY IN THE YEAR 2017 (continued)

The other operating expenses decreased by RON 21,2 million comparing to year 2016 mainly due to the risk provision reversals for the claw-back tax and the income tax, as a result of the finalization of the inspection carried out by ANAF during 2017 for the period 2011-2016.

The R&D expenses, represented by activities related to products repatriated within the Group, which were incurred in the year 2017 amounted RON 935,412 and RON 1,568,748 in 2016.

The Company's cash at bank at the end of 2017 amounted to RON 160.8 million while as of 31 December 2016 were RON 127.9 million consisting of: deposits- cash pooling -- RON 154.5 million (2016: RON 121.4 million); advance for payment of dividends made toward to Central Depository in amount of RON 6.1 million (2016: RON 5.5 million) and cash at banks and cash on hand in amount of RON 0,2 million (2016: RON 1 million).

Starting with September 2013, the Company concluded a cash pooling agreement with Sanofi SA France (the parent entity). 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 for the cash-pooling transactions during the year amount to RON 910,643 respectively (2016: the interest received amounts to RON 288,927 and respectively the interest paid amounts to RON 5,863 RON) and they are presented in Note 6.3 Financial expenses and Nota 6.4 Financial revenues, respectively.

3.2. Portfolio of products and distribution market

The portfolio of products of Zentiva S.A. includes 130 products for human use, as solids (tablets, capsules, and pellets) and injectable solutions.

a. The distribution activity was ensured in 2017 by Sanofi Romania SRL, the exclusive distributor of the Sanofi Group on the Romanian market.

The local portfolio is sold on the local market (54%) and on external markets (46%), the percentages represent the part from total net sales value of local portfolio.

b. The firm belongs to Zentiva Group, which has production facilities in the Czech Republic, Romania and Turkey. Zentiva Group is part of Sanofi Group. The export activity of Zentiva SA in the European market is ensured by Sanofi Winthrop which is a subsidiary of Sanofi Group. Zentiva is also part of Sanofi Group.

For the year 2018, investments in tangible assets are envisaged, amounting to EUR 4.1 million related to increase of production capacity, upgrading of production equipment's and premises, quality and environmental compliance.

3.3. Selection policy for suppliers of raw materials

The policy of Zentiva S.A. involves the permanent search for suppliers of high quality raw materials.

The Quality Assurance Department carries out sustained assessments of prospect manufacturers, and also of the existing ones. The envisaged aspects are both the quality documentation supplied by them, which is necessary for authorization purposes and the quality of the supplied products, along with their behavior during the operating process.

3. COMPANY'S ACTIVITY IN THE YEAR 2017 (continued)

3.4. The major competitors of Zentiva SA on the local market

Zentiva S.A. is one of the main producers of medicines on the local market.

According to the statistical data supplied by IMS, the average price of the Zentiva products, upon the purchase thereof from pharmacies, is much lower than the price of other manufacturers, in 2017 its value amounting to RON 6.82 (2016: RON 6.61). Comparatively, the average price valid for the entire pharmaceutical market in Romania was RON 25.27 (2016: RON 22.28).

Other local manufacturers, well-established on the medicines market, are: Ranbaxy (Terapia) Cluj, Antibiotice Iasi, Labormed, Biofarm.

The main importers of pharmaceutical products are: Sanofi, Hoffmann la Roche, Novartis, Pfizer, Glaxo SmithKline.

3.5. Information about personnel

As of 31 of December 2017, the number of employees working at Zentiva S.A. counted 548 (31st of December 2016: 513 employees).

The employees' rights and other labor relationships are regulated by the Collective Labor Agreement. For 49% of the employees, such rights are defended by the Zentiva S.A. Trade Union.

3.6. Information about Company's environmental policy

The following regulatory documents related to environmental protection were applicable in 2017:

- Environmental Permit no. 234/7th of May 2012, valid for 10 years.
- Wastewater Collection Agreement no. 1521/31 August 2012, valid for an undetermined period.
- Water management Authorization 83B /15.03.2016, valid up to 31.03.2018

The performance of the waste management process was maintained by applying solutions for waste elimination.

The environmental management system EN ISO 14001:2004 and management system for energy EN ISO 50001: 2011 are correctly maintained, as the surveillance audits of Lloyd's Register Romania proved.

3.7. Research and development activity

In relation to R&D activity, the budget for the year 2018 amounts to RON 5,71 million. The R&D expenses incurred in 2017 amounted to RON 6,13 million, consisting of activities pertaining to the transfer of certain products repatriated within the Group.

4. COMPANY'S TANGIBLE ASSETS (continued)

	Land	Buildings	Machinery, tools and equipment	Construction s in progress	Total
Gross Value la 1 January 2017	11,421,897	47,575,975	154,451,495	12,408,382	225,857,749
Additions				16,828,959	16,828,959
Disposals	(991,003)		(769,075)	(950,108)	(2,710,186)
Impact from reevaluation reserves	32,072,782	12,349,217			45,250,864
Impact from reevaluation in the profit and loss account	(43,661)	(8,982,716)			(9,026,317)
written-off of accumulated depreciation against to gross book value	(785,264)	(5,547,078)			(6,332,342)
Transfers from CIP	-	2,082,203	11,283,745	(13,365,948)	-
Gross value at 31 December 2017	42,503,676	47,477,601	164,966,165	14,921,285	269,868,727
Depreciation and impairment at 1 January 2017	(991,003)	(3,881,301)	(123,771,148)	(1,051,649)	(129,695,101)
Depreciation charged in the year		(2,438,066)	(9,794,197)	-	(12,232,263)
Disposals	(991,003)	-	(508,010)	(1,051,649)	(2,550,662)
written-off of accumulated depreciation against to gross book value		(6,332,342)			(6,332,342)
Depreciation and impairment at 31 December 2017		(12,975)	(133,057,335)		(133,044,360)
Net book value 31 December 2017	42,503,676	47,490,576	31,908,830	14,921,285	136,824,367

The fixed assets of the Company are not pledged in favor of banks or of a financial institutions

5. COMPANY'S MANAGEMENT

5.1. Board of Directors

As of 31 December 2017, the Board of Directors had the following composition:

Emmanuelle Fouchs Valentin

Chairman of the Board – Starting with January 2016

Born in 1967 she graduated IESEG School of Management in 1990, IMD Business School in 2005 and ESSEC Business School in 2013.

Starting 1996 she held several positions within Sanofi group, the last ones being: VP Operational Excellence Europe, respectively Country Chair Romania & Moldova.

Simona Cocos

Member of the Board – Starting with April 2010

Born in 1967 she graduated Faculty of Chemistry in 1992. In 2006 she has obtained a Professional Diploma in Management at Open University (UK)/Codecs Romania and in 2008 an MBA certificate in Business/Economics at Open University (UK).

Starting 1995 she held several positions within Sanofi affiliate, the last ones being: Marketing Manager, respectively Marketing Director.

Margareta Tanase

Member of the Board -- Starting with April 2010

Born in 1960 she graduated University of Chemical Technology – Polytechnic Institute Bucharest in 1989.

Starting 2000 she held several positions within Sicomred/Zentiva, the last ones being: Regulatory Affairs Manager, respectively Regulatory Affairs and Medical Director.

Christophe Courcelle

Member of the Board -- Starting with February 2016

Born in 1973 he graduated NEOMA Business School in 1999 and an MBA exchange program in Santa Clara University (USA).

Starting 2002 he held several positions within Sanofi group, the last ones being: Controlling Director Europe and Finance Director Sanofi Columbia respectively Sanofi Romania.

Francois MARCHAND:

Independent Member of the Board -- Starting February 20, 2017.

Francois holds a Diploma in Management at EDHEC Lille (France) and he is the Human Resources Director for Auchan Romania, a company with a turnover of EUR 1.1 billion, 33 stores and more than 10,000 employees.

Company does not have knowledge of any member of the Board of Directors holding shares issued by the Company during the relevant financial year.

The Board of Director members are appointed by the Ordinary General Shareholders Meeting based on shareholders' votes and in compliance with the statutory requirements relating to quorum and majority. Therefore, there are no specific agreements, understandings or family relations to be disclosed herein.

5. COMPANY'S MANAGEMENT (continued)

5.2. Senior management

Senior Management Members as of December 2017:

Simona Cocos - General Manager:

She is in the General Manager position starting October 2009 and she is reporting to the Board of Directors and is responsible with the Company management.

Margareta Tanase - Industrial Affairs Director

She is in the Industrial Affairs Director position starting May 2008 and she is responsible with the management of the Company's Industrial Affairs and its corresponding departments.

Company does not have knowledge of any member of the executive senior management holding shares issued by the Company during the relevant financial year.

Company does not have knowledge specific agreements, understandings or family relations to be disclosed herein.

To the best of the Company's knowledge and belief, there are no litigations or administrative proceedings involving the members of the Board of Directors or of the senior management, related to their activity within the Company or their capacity to perform their attributions.

6. FINANCIAL POSITION

The comparative figures of the main indicators taken from the balance sheet and from the income statement for the last three years is the following:

BALANCE SHEET (RON)	31.12.2016	31.12.2017
Total tangible and intangible assets	96,922,176	137,593,342
Total inventories	42,093,203	40,549,376
Total receivables	173,143,655	158,176,809
Petty cash and cash at banks	127,910,418	160,792,774
Total assets less current liabilities	317,273,170	381,493,387
Total shareholders' equity	305,801,651	368,094,969

Income statement (RON)	2016	2017
Net turnover	420,004,308	458,377,046
Operating expenses - Total	337,170,206	361,374,257
Operating profit / (loss)	89,946,312	106,061,521
Net profit / (loss)	73,026,646	89,642,756
Dividends declared for 2015 and paid in 2016 and dividends declared for 2016 and paid in 2017	40,000,000	65,000,000

The distribution of the profit for the financial year ended as of 31 December 2017 in the amount of RON 89,642,756 will be decided and approved in April 2018 when the General Meeting of Shareholders will take place.

7. COMPANY'S EXPOSURE TO RISKS (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 2017 and 2016.

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.

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 2017 is the carrying amounts as illustrated in Note 14 of the statutory financial statements.

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.

8. OBJECTIVES FOR THE YEAR 2018

For 2018, our objective is to maintain our leadership in the healthcare field, focusing on identifying growth opportunities and on diversifying our business within European quality standards; to ensure an efficient and profitable organization while remaining fully committed to delivering the best possible service to our customers and upholding our commitments towards Romanian patients' needs.

Our key priorities for 2018 are:

- To maintain the profitability of the local producer, considering an increase of costs for utilities, constant increase of costs for materials (raw materials, excipients, and packaging materials), etc.
- To enhance the production capacity, by implementing the investment plan for 2018;
- To diversify and enhance Zentiva's presence on various markets through exports and transfer of new products that should be produced locally;
- To maintain the sales of products on the local market;
- To strengthen our product portfolio through new launches.

9. INTERNAL CONTROL

The internal control system is implemented by the Group and is designed to provide reasonable assurance regarding the achievement of objectives, in the following categories:

- Effectiveness and efficiency of operations,
- Reliability of financial and management information/reporting,
- Compliance with applicable laws and regulations.

The objectives of internal control are authorization (all transactions are authorized), recording (all transactions are recorded), access (allow access to assets and data only for authorized purposes), asset accountability (ensure that accounting records describe only real assets), safeguarding of assets and prevention of fraud.

9. INTERNAL CONTROL (continued)

Some elements of the Internal Control system are key to ensure the system is effective and efficient. They include:

Code of Ethics and adherence to laws	The pharmaceutical industry is also subject to regulatory constraints at both national and international levels. The company applies internal policies and standards derived from these external requirements in order to ensure compliance with laws and regulations.
Well defined system of policies and procedures	Well written policies and procedures increase organizational accountability and transparency and become fundamental to quality assurance and quality improvement programs.
Delegations of authority and powers	Operations are correctly managed when powers, delegations and limits are clearly defined, justified, known by all.
Segregation of duties	Segregation of duties helps ensuring that errors, irregularities or acts of fraud are prevented or detected early enough. Segregation of duties means that no single individual should have control over two or more key phases of a transaction or process. Effective segregation is achieved by: <ul style="list-style-type: none"> • Assigning responsibilities in a manner consistent with the organization • Cross-checking and/or close supervision of sensitive tasks • Implementing mitigation / compensating controls when conflicts exist
Fraud prevention and detection	Fraud prevention is one of the priorities of internal control
Training	All employees must have the relevant competencies to perform their role as well as understand the policies and procedures applicable to their responsibility. Trainings are developed in a way that also promotes the awareness of all employees on internal control.
Annual assessment and periodical monitoring	On an annual basis an assessment of risks and mitigating controls put in place by management is conducted in order to manage risks. Periodical monitoring is another tool used to test the effectiveness of the controls previously identified and assessed and following this action plans to close the eventual deficiencies are implemented.

10. ANNUAL REPORT ON CORPORATE GOVERNANCE

The company Zentiva SA is a one-tier company managed by the General Manager under the supervision of the Board of Directors.

The main aspects concerning corporate governance are included within certain documents/policies issued both at local and at Group level. They ensure the internal framework necessary for defining the corporate governance structures, the activity principles and rules, the responsibilities and competencies of the Board of Directors and of the Company's senior management.

The Company displayed on its website information pertaining to its corporate governance structures, as well as the list of the BoD members, indicating the independent and/or the non-executive members, various reports and documents stipulated in the Governance Code – such as the Corporate Governance Regulation, Shareholder rights and procedural rules related to GAM, the updated Articles of Incorporation.

General Shareholders Assembly

Main rules and procedures related to the General Shareholders Assembly are mentioned within the document called Shareholders' rights and procedural rules related to General Shareholders Assembly, published on the company website.

The General Shareholders Assembly is the supreme managing body of the Company having a general capacity to decide in respect to its activity and its economic, trade and development policy.

The Shareholders General Assemblies can be Ordinary and Extraordinary. The resolutions of the Shareholders General Assembly are adopted according to the law and the provisions of this Constitutive Act and they are mandatory for all the shareholders.

Convening of the General Assemblies of Shareholders

The General Shareholders Assemblies shall be convened by the Board of Directors, pursuant to the decision thereof and in observance of the law on date which may not, as per the law requirements, be within less than 30 (thirty) days after publishing the convening notice in the Official Gazette of Romania, part IV. Additionally, the Board of Directors has the obligation to convene the General Meeting of Shareholders upon the request of shareholders representing at least 10% of the share capital, upon the request of financial auditors or if, further to the occurrence of loss, the value of the net assets determined as the balance between the total assets and the total liabilities of the Company is less than half of the Company's share capital.

The General Shareholders Assemblies shall be called as provided under and in observance of the publicity conditions provided by NSC regulations and by Law 31/1990.

The General Shareholders Assemblies will be chaired by the Chairman of the Meeting, who will be the Chairman of the Board of Directors or, in his absence, another member in the Board of Directors appointed by the latter. The Chairman of the Meeting will appoint a meeting secretary among the present shareholders and one or more technical secretaries.

The meeting secretary will make up a minutes mentioning the issues debated and the decisions made, a resume of the debates, and following the shareholders' request, their statements made during the meeting. The minutes will be signed by the Chairman of the Meeting and by the meeting secretary.

10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

Rules and procedures related to the participation to the General Shareholders Assemblies

The shareholders registered at the reference date may attend and vote within the general meeting in person or may be represented by persons other than shareholders, save for the directors, based on special power of attorney.

The general or special power of attorney will be drafted in three original copies, one for the Company, the second copy will be handed over to the representative, the third copy remaining with the shareholder. Upon filing in and signing it, the copy of the special power of attorney intended for the Company, accompanied by a copy of the I.D. or of the registration certificate of the represented shareholder, will be submitted, in original, at the Company's seat not later than 48 hours before the meeting, under the sanction of losing the voting right within the meeting. The power of attorney may also be delivered in electronic format, via e-mail at the e-mail address mentioned in the convening, accompanied by a copy of the I.D. or of registration certificate of the represented shareholder, provided that the original is sent to the Company 48 hours before the meeting, the latest.

The powers-of-attorney shall be kept by the Company, which fact will be mentioned in the minutes.

The access of Individual Shareholders at the General Assembly is made based on the presentation of an ID and in the case of Corporate Shareholders and Representatives Individual Shareholders, the access is made based on special procurement and the ID of the representative.

The shareholders registered at the reference date in the shareholders' register may vote by correspondence before the date of the general meeting, by using the form for vote by correspondence. The form for vote by correspondence with signature notarization by a notary public together with a copy of the I.D. or registration certificate of the shareholder, will be delivered to the Company, in original, at its seat not later than 48 hours before the meeting, under the sanction of losing the voting right within the meeting.

The special power of attorney form, the form for vote by correspondence, the draft decision, as well as the information materials subject to approval on the Meeting's agenda, may be obtained both at the Company's seat, and from the Company's website, starting 30 days before the meeting.

One or more shareholders, holding individually or jointly at least 5% of the share capital, are entitled to enter new items on the agenda of the general meeting of shareholders, provided that each point is accompanied by a justification or by a draft decision proposed for approval by the general meeting, which will be delivered in written form at the Company's seat not later than 15 days before the meeting.

In case on the meeting agenda is the election of Board members, the applications for the position of members in the Company's Board of Directors may be submitted, according to Article 117¹ of Law no. 31/1990, republished, as subsequently amended and supplemented, at the Company's seat by the date mentioned in the convening, at the latest. A CV will be included for each nominated applicant, CV indicating at least the applicant's name, residence and professional qualification.

The list containing information in relation to the name, residence and professional qualification of the persons nominated for the position of director, may be consulted and supplemented by the shareholders under the aforesaid conditions.

All documents sent to the Company with respect to the general meeting of shareholders will be delivered in a closed envelope, with the following note written thereon: "For the General Meeting of Shareholders", mentioning the date/time and the type (Ordinary or Extraordinary) of the meeting.

10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

The meeting will start at the time mentioned in the convening. The access of the shareholders will be done starting 30 minutes before the meeting start time.

Shareholders questions

The Company's shareholders may address written questions concerning the items on the agenda of the general meeting of shareholders and submit such questions at the Company's seat together with copies of the identification documents allowing for the identification of the shareholder (copy of I.D. in the case of shareholders – individuals and registration certificate accompanied by the official document attesting its capacity as legal representative of the shareholder, in the case of shareholders -- legal entities), as well as the bank statement reflecting the capacity of shareholder and the number of shares held, by the date mentioned in the convening, at the latest.

The disclosure of commercially sensitive information that could result in a loss or competitive disadvantage for the Company will be avoided when providing the answers, in order to protect the interests of the Company and its shareholders.

The answers will be available on the Company's website in the FAQ section, in Q&A form. The Company may issue a general reply for questions having the same content.

The Shareholders General Assemblies main attributions

The Ordinary General Assembly will meet at least once a year, within at most 4 months after the end of the financial year for the following purposes:

- a) Debates, approves or modify the yearly financial statements approved by the Board of Directors, based on the Directors and Auditors reports and establishes the value of the dividends and the deadline for their distribution,
- b) Identification of the shareholders eligible to receive dividends,
- c) Electing and revoking the directors; establishing their remuneration and the minimal value of the amount insured by the professional civil liability insurance, as well as the general limits for the remuneration of directors and managers, subject to the delegation of prerogatives for managing the Company;
- d) Appointment of the financial auditor as well the authorized person to sign on behalf of the Company of the contract with the auditor;
- e) Approval of the directors report of activity;
- f) Approval and amendment of the business plan, the annual budget and the activity schedule of the Company, proposed for approval by the Directors.
- g) Setting up or de-allocation of the Company's subsidiaries, representative offices, agencies, or any other secondary establishments of the Company as well as the incorporation of the Company's branches;
- h) Any other issue pertaining to its decisional competence.

10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

The Extraordinary General Assembly shall be convened whenever necessary to take a decision related to:

- a. The change of the share capital
- b. The change of the line of business of the company
- c. The change of the organization form of the company
- d. The relocation of the registered headquarters of the company
- e. Merger with other companies or the spin-off of the Company
- f. The anticipated dissolution of the company
- g. Issue of bonds
- h. The undertaking of long or short term loans whose value exceeds half of the accounting value of the company assets as at the date of the execution of the relevant legal document;
- i. Approves all of the legal instruments in connection with acquisitions, sales, exchange or pledging some of the immovable assets of the Company, whose value exceeds 20% of the value of the total immovable assets of the Company, considered individually, for each legal instrument, or cumulatively, during a financial year, minus the value of the receivables at the date of the execution of the relevant legal instrument;
- j. Approves the leases of fixed assets of the Company for a period longer than 1 year, whose value exceeds 20% of the value of the total immovable assets of the Company, considered individually or cumulatively in relation to the same contracting party or to involved persons or to persons coordinating their actions, minus the receivables at the date of the execution of the relevant legal instrument.
- k. Approves the association agreements for a period longer than 1 year, whose value exceeds 20% of the value of the total immovable assets of the Company, considered individually or cumulatively in relation to the same contracting party or to involved persons or to persons coordinating their actions, minus the receivables at the date of the execution of the relevant legal instrument.
- l. Approves any amendment to the Company's Constitutive Deed. In this case, prior to call for the General Extraordinary Meeting of Shareholders to amend the Constitutive Deed, the draft of the proposed amendments to the Constitutive Deed shall be sent to FSA and to securities market where the Company's shares are traded
- m. Pass any other resolution that needs the approval of the General Extraordinary Meeting of Shareholders in order to be enforced.

The resolutions of the General Meeting of Shareholders

The resolutions of the General Meeting of Shareholders are usually adopted by open vote.

Upon the proposal of the President of the General Meeting or of a group of attending shareholders (present whether personally or represented) holding at least $\frac{1}{4}$ of the registered share capital, secret voting may be decided upon.

The secret voting is mandatory for the election and revocation of the members of the Board of Directors and of the financial auditor and for taking the decisions related to the activity and liability of the Directors.

The decisions of the Ordinary General Meeting are validly passed under the following conditions:

- at the first convening: the shareholders representing at least $\frac{1}{2}$ of the Company's share capital need to be present and the decisions need to be made based on the favorable vote of the shareholders holding the absolute majority of the share capital present or represented in the meeting;
- upon the second convening: decisions can be made regardless of the share in the capital present/represented in the meeting, based on the favorable vote of the majority of the share capital present or represented in the meeting.

10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

The decisions of the Extraordinary General Meeting of the Shareholders in the Company are validly made under the following conditions:

- at the first convening: shareholders representing at least $\frac{1}{4}$ of the share capital need to be present in the meeting, and decisions need to be made based on the favorable vote of the shareholders holding at least $\frac{1}{2}$ of the share capital, except for the case provided under Article 8.1.5. above;
- at the second convening: shareholders representing at least $\frac{1}{2}$ of the share capital need to be present and decisions need to be made based on the favorable vote of shareholders holding at least $\frac{1}{3}$ of the share capital, which, in the case of the decisions for the amendment of the company's main object of activity, for the decrease or increase of the share capital, for the change of the legal form, for merger, spin-off or dissolution of the Company, cannot be less than two thirds of the voting rights held by the shareholders present or represented in the Meeting.

The resolutions of the General Meetings of Shareholders adopted within the limits of the law and of the Constitutive Act, are mandatory even for the non-attending shareholders or those shareholders voting against them.

Board of Directors

The Board of Directors will hold a meeting at least once in three months or whenever necessary, at the Company headquarters or at another place provided in the convening notice.

The meetings will be held by means of the directors' physical presence at the place of the meeting, or by distance communication means (phone, teleconference, videoconference, telefax).

The Board of Directors will be convened by the Chairman, of his own accord or upon the grounded request of at least two directors or of the General Manager, by any communication means likely to prove the reception of the convening notice by the addressee: phone call followed by the written confirmation of the addressee, certified mail with confirmation of receipt, e-mail.

If all the members of the Board of Directors are present and agree to hold the meeting of the board and to pass decisions, the convening formalities are no longer needed.

The meetings of the Board of Directors are chaired by the Chairman of the Board and, in his absence, by a member of the Board of Directors appointed by him. The chairman appoints a secretary either among the members of the board or outside the board.

The Board of Directors can deliberate validly in the presence of at least three members and can pass decisions with a majority of at least half plus one of the present members. In case of a tie, the chairman of the Board of Directors will have the casting vote, except if he is also a manager of the Company.

The minutes shall be signed by the Chairman of the meeting, by at least one other director and by the meeting secretary and, upon request, by the other members in the Board of Directors who have participated in the debates.

10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

The attributions of the Board of Directors

The Board of Directors has the following main prerogatives:

- a. Prepare and update the Company's registers according to the law provisions;
- b. Hire and dismiss the Company managers, to establish their rights and obligations;
- c. Appoint the Chairman of the Board;
- d. Contracts the Independent Registry which keeps the record of the Company's shares;
- e. Approve the accounting as costs of the unrecoverable debts amounting to up to 0.5% of the turnover;
- f. Approve the write-off of the fixed assets;
- g. Approve the calculation system of the fixed assets as required by law,
- h. Approve the research and development program and allocates the necessary financial resources;
- i. Approve the annual investment plan of the Company;
- j. Annually, within 4 months from the end of the financial (accounting) year, submits for approval of the Shareholders' General Meeting the Company activity report, the Company annual financial for the previous year in accordance with the regulations of the Ministry of Finance and FSA as well the draft of the Company's activity programme and the budget project for the current year;
- k. Perform the resolutions of the General Meeting of Shareholders Approve the acquisitions, transfers, exchanges or pledges of some assets from the immovable assets of the Company, subject to observance of the exclusive attribution of the General Meeting of Shareholders in this respect.
- l. Other prerogatives established by the law in its competency.

The Directors are compelled to immediately report to BSE/FSA, any legal act entered into by the Company and its Directors, employees, shareholders which controls the Company, or entered by the Company and the involved persons with the aforementioned, whose value represents at least the RON equivalent of 50.000 EUR.

Under the supervision of the Board of Directors, it will be provided all the necessary facilities and information in order to allow the shareholders to exercise the right granted by their shares.

In this respect the Board of Directors has the obligation to;

1. inform the shareholders in connection to the call of the General Meeting of Shareholders, abiding to the provisions of this Constitutive Deed;
2. inform the public about the allocation and payment of the dividends, issuance of new shares, including the distribution, subscription, conversion operation;
3. appoint as payment agent of the Company a financial institution through which the shareholders will be able to exercise their financial rights, except the situation when the Company could provide for this services by itself.

The members of the Company's Board of Directors have four year mandates, in compliance with the legal regulations in force. During 2017, the structure of the Company's Board of Directors included 1 independent director out of a total of 5 directors.

The appointed structure of the Board of Directors allows an efficient coordination of the executive management along all the activity paths – general, financial, production management and business coordination.

In 2017, the Board of Directors gathered in 6 meetings and one in 2018, in the presence of 3-4 of its members – and passed decisions which allowed it to efficiently fulfil its duties. Thus, on occasion of its meetings, the Board of Directors thoroughly analyzed the financial results obtained during the reporting period and the year-to-date results, as well as the economic performance taking into account the budget and the similar period of the previous year. Depending on the situation, the Board requested detailed explanations from the senior management with regard to the plans for increased production efficiency,

10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

investment plans, established provisions, write-off of expired inventories, liquidity management, operating and general profitability. Further to the thorough analysis of the results associated with such period, the Board decided on the approval thereof for publication and submission to BVB.

Concerning the directors' remuneration policy, the directors holding positions within the Group had free mandates, only the independent director receiving remuneration for his mandate, based on the propositions made by the Board of Directors and approved/validated by the Company's shareholders at the General Meetings.

The remuneration of the independent member includes a fixed monthly component, without other fixed or variable elements or components. The application of these principles did not require the establishment of a Remuneration Committee, the duties pertaining to the proposition of remuneration being fulfilled by the Board of Directors.

In 2017 an Audit Committee has been established, in order to support the Board of Directors in overseeing the internal control system, particularly the efficacy of financial reporting, having the following structure:

- François Marchand - Chairman of the Audit Committee (as independent member);
- Emmanuelle Valentin -- Member of the Audit Committee;
- Christophe Courcelle -- Member of the Audit Committee.

In 2017, the Audit Committee has gathered in one meeting, in the presence of its members -- and assessed specific topics related to control and risks identification area.

Executive Management – General Manager

The Board of Directors entrusted the management of the Company to one Executive Manager, as such are defined under Article 143 of Law 31/1990, called General Manager of the Company.

The Company will be represented and validly bound in relations with third parties by the Board of Directors, through the Chairman thereof or/and by the General Manager.

The General Manager benefits from a general mandate for representing the Company before third parties.

The General Manager expressly delegated part of her prerogatives to technical managers, empowered to represent the Company based on special mandates in line with the internal policies applicable within the Company.

The General Manager operationally reports to the Board of Directors.

Shareholders' rights

In a special, easily identifiable and accessible section of its own website, the Company displayed current reports, releases, its financial calendar, as well as its annual, biannual and quarterly reports. Additionally, the Company's relationship with its investors is achieved through a dedicated internal resource to the investor's relation and intended for the briefing of shareholders depending on the questions asked in writing or over the phone.

The Company has permanently undertaken the obligation to comply with the rights of the holders of financial instruments issued by it and to ensure the fair treatment of its shareholders. The Company makes efforts to achieve an active and efficient communication with its shareholders and to facilitate the

10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

participation thereof at the General Shareholders' Meetings (GSMs), and the full exercising of their rights. The shareholders' participation at the GSM works is entirely encouraged, the shareholders who are not able to attend being provided with the possibility to exercise their voting right in absentia, based on a special power of attorney. Within GSMs, dialogue is encouraged between the shareholders and the members of the Board of Directors and/or of the management.

The Company applied rules with regard to the internal circuit and to the disclosure to third parties of documents and information regarding the issuer, granting special importance to the information capable of influencing the evolution of the market price of securities issued by it. The Company adopted procedures for the purpose of ensuring procedural correctness (identification criteria of transactions with significant impact, transparency, objectiveness, non-competition criteria etc.) with the view to identifying transactions with concerned parties. In 2017 the Company disseminated a number of 6 current reports related to transactions with concerned parties (consisting of legal documents concluded with affiliated parties).

The Shareholders participates at the Company result based in their equity participation.

Social and Environmental Responsibility

The Company has constant concerns with regard to Social and Environmental Responsibility, including multiple components, among which a major position is occupied by the briefing and education of the public and of patients. The Company participated and got continuously involved in programs and campaigns whose emphasis was placed on the vital importance of being aware of the risk factors and of regularly undergoing medical investigations. Thus, Zentiva developed campaigns and programs designed for cardiovascular, hypertension and osteoporosis prevention, directly addressing patients through free tests and interpretation of results by specialized medical staff.

At the same time, the Company granted special importance to other components of the Social and Environmental Responsibility, such as pharmacovigilance, ethical conduct in performing the activity and in the relationships with professionals and organizations from the medical field, social dialogue and social welfare of employees, protection at work, acknowledgment of the diversity of values and opinions, fair professional assessment and career development, concern for industrial risk control, soil and natural resource protection, environmental and biodiversity protection. Additionally, the Company grants special importance to the transparency obligations, being fully committed to comply with applicable legal provisions and disclose the interactions with the healthcare professionals and healthcare organizations.

Corporate Governance Code

The Company first adhered to the Corporate Governance Code issued by the Bucharest Stock Exchange in 2010. In 2015, the Company continued to apply the principles of corporate governance provided by the new Corporate Governance Code published by the Bucharest Stock Exchange on September 22, 2015. In this regard, the Company released on January 4, 2016 a current report covering the Code recommendations the Company did not adhere on December 31, 2015, briefly explaining the deviations.

The Company has taken and will continue to take the professional, legal and administrative steps necessary for ensuring compliance with the provisions of the Code.

More details about the compliance with the principles and recommendations stipulated under the Corporate Governance Code issued by the Bucharest Stock Exchange are presented in the corporate governance statement, which is a part of this annual report.

10. ANNUAL REPORT ON CORPORATE GOVERNANCE (continued)

Code provisions	Complies	Does not comply or partially complies	If NO, then EXPLAIN
Section A - Responsibilities			
A1 All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.		X	The main aspects in relation to the Board of Directors functioning /attributions are identified within the Company Constitutive Deed published on the Company website in the dedicated Investor Relations section.
A2 Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.		X	The main aspects in relation to the conflict of interest's situations are identified and solved according to the current applicable local/group procedures (i.e. Conflict of Interest Policy, Code of Ethics). However the management of the conflict of interest process is overseen by the Compliance Officer function.
A3 The Board of Directors or the Supervisory Board should have at least five members	X		
A4 The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgmental practice		X	
A5 A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors	X		

Code provisions	Complies	Does not comply or partially complies	If NO, then EXPLAIN
before appointment and during his/her mandate.			
A6 Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	X		
A7 The company should appoint a Board secretary responsible for supporting the work of the Board.	X		
A8 The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.		X	Most of the members of the Board of Directors are currently occupying various management positions within the group proving solid skills and capabilities in their areas. Their performance is regularly assessed as per the internal rules/policies.
A9 The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	X		
A10 The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	X		
A11 The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.		X	The company is in the standard category.
Section B – Risk Management and Internal Control System			
B1 The Board should set up an audit committee, and at least one member should be an independent non-executive. The	X		

Code provisions	Complies	Does not comply or partially complies	If NO, then EXPLAIN
majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.			
B2 The audit committee should be chaired by an independent non-executive member.	X		The Audit Committee established in 2017 is chaired by the independent non-executive director.
B3 Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	X		Annual assessment of internal control system is performed by dedicated country and group level internal control functions
B4 The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	X		All areas mentioned in the description of the recommendation are covered by the annual assessment performed by the Audit Committee and also by the dedicated country and group level internal control functions.
B5 The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.		X	The evaluation of conflicts of interest in transactions between the Company and the related parties is taken into account within the related internal documentation.
B6 The audit committee should evaluate the efficiency of the internal control system and risk management system.	X		The efficiency of the internal control and risk management systems is covered by the annual assessment performed by the Audit Committee and also by the dedicated internal control country level function jointly with the group level internal control function.
B7 The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	X		Application of statutory and generally accepted standards of internal auditing is monitored jointly by the dedicated country level internal control function and

Code provisions	Complies	Does not comply or partially complies	If NO, then EXPLAIN
			group level internal audit function. In addition, in order to monitor the application of the legal standards and of generally-accepted standards on internal auditing, the Board of Directors has considered setting up an Audit Committee in 2017. The Audit Committee receives and reviews the reports issued by the dedicated internal control function set-up at local level.
<p>B8 Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.</p>	X		As a rule, such reports/ analyses performed by the Audit Committee jointly with the relevant functions are communicated to the Board by the dedicated internal control function set-up at local level.
<p>B9 No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.</p>	X		
<p>B10 The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.</p>		X	The Company applies transfer pricing policies in accordance with the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and local Romanian legislation. All significant transactions are assessed by internal local and corporate experts to make sure that they are in line with external transfer pricing guidelines and regulations and internal transfer pricing policies. The advice/support from established external advisors is sought where necessary. The compliance with valid transfer pricing regulations ensures that the prices used in intercompany transactions are based on the arm's length principle.

Code provisions	Complies	Does not comply or partially complies	if NO, then EXPLAIN
			With respect to determining the appropriate arm's length return/margin for products and services, external databases are utilized to determine the return/margin earned by companies with similar functions, risks and assets. Transactions with affiliates are supported by documentation and recorded in the financial records of the Company. The Company prepares, in accordance with CNVM regulation 1/2006, a six monthly report of contracts entered into during the period with affiliates to ASF and included on our Website. The six monthly report is subject to procedures undertaken by the Company external auditors on which a report is completed and submitted to ASF and is available on the Company website.
B11 The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	X		The internal audits are carried out by the group level audit function.
B12 To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.		X	The relevant functions are not formal integrated/ subordinate in the structure of Board of Directors, being separately organized at local/ group level.
Section C – Fair Rewards and Motivation			
C1 The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well		X	The remuneration of the independent Board member is fixed. The rest of the Board members have gratuitous mandates. There are no plans to change the remuneration of the Board members.

Code provisions	Complies	Does not comply or partially complies	If NO, then EXPLAIN
<p>as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration).</p> <p>In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review.</p> <p>Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.</p>			
Section D – Building value through investors' relations			
<p>D1The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on, both in Romanian and English, including:</p>	X		<p>Only part of the relevant information published on the dedicated Investor Relations section is disseminated in English (i.e. the current reports, informative materials/ decisions related to General Assemblies). Dissemination in English of all related Investor Relations information will be considered.</p>
<p>D.1.1Principal corporate regulations: the articles of association, general shareholders' meeting procedures; general meetings, aiming at using electronic communication means through (a) live broadcast of general meetings and/or (b) live bilateral communication where shareholders may express themselves during a general meeting from a location other than that of the general meeting, as long as this is in line with legislation regarding data processing.</p>	X		

Code provisions	Complies	Does not comply or partially complies	If NO, then EXPLAIN
A company should aim to provide for an electronic voting system at general meetings, including remote electronic voting.			
D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;		X	Dissemination of the full professional CVs of the members and the Board member's other professional commitments will be considered.
D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports) -- at least as provided at item D.8 -- including current reports with detailed information related to non-compliance with the present Code;	X		
D.1.4. Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;	X		
D.1.5. Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	X		
D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request;	X		
D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	X		

Code provisions	Complies	Does not comply or partially complies	If NO, then EXPLAIN
<p>D2 A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit.</p> <p>The annual cash distribution or dividend policy principles should be published on the corporate website.</p>		X	Adoption and dissemination of the principles related to the distribution of dividends or other benefits to the shareholders will be subject of further assessment.
<p>D3 A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented.</p> <p>The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.</p>		X	Adoption and dissemination of a policy with respect to forecasts will be subject of further assessment.
<p>D4 The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.</p>	X		
<p>D5 The external auditors should attend the shareholders' meetings when their reports are presented there.</p>	X		
<p>D6 The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.</p>	X		
<p>D7 Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.</p>		X	The accesses of consultants, experts, financial analysts or accredited journalists in the Company shareholders' meeting will be allowed only upon prior invitation from the Chairman of the Board.
<p>D8 The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key</p>	X		

Code provisions	Complies	Does not comply or partially complies	If NO, then EXPLAIN
drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.			
D9 A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.		X	Organizing of such events will be subject of the applicable local and group principles.
D10 If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	X		

11. COMMITMENTS AND CONTINGENCIES

- Litigation with ANM (National Agency of Drugs) which imposed a penalty to the Company due to the fact in one independent pharmacy store has been identified advertising materials for which the advertising visa was expired. During 2017, the Company contested the respective decision and the litigation is currently in the appeal phase. The financial impact is not material, the amount being RON 5,000 (representing penalty imposed by ANDM to the Company);
- Litigation with ANAF for challenging the claw-back tax and the penalties computed for the reviewed period Q4 2009-Q3 2011. During 2016, following to the fiscal audit related to the claw back for the period Q4 2009-Q3 2011, ANAF issued a decision to impose additional claw back tax and penalties in amount of RON 18,457,107 for which the Company recorded a provision for tax risks as of 31 December 2016. During 2016, as a result of the contestation submitted by the Company, ANAF canceled the initial tax decision related to the payment of additional claw back taxes and related penalties and initiated the procedures for re-audit in 2017 of this fiscal obligation for the period Q4 2009-Q3 2011. During 2017, a new tax audit was started and a new tax decision was issued for the amount of RON 8,356,150 representing additional claw back and penalties and interest related to penalties. The Company decided to challenge back this decision issued by ANAF. This action initiated by the Company has been rejected by ANAF. The Company will challenge the decision into the Administrative Court of Justice – for more details in relation with this litigation please refer to the comments included in the Note 17 Provisions.
- The Company is also involved in several litigations with the National Health Insurance House following the challenging of the VAT paid in relation to the claw-back tax for the period Q1 2012-Q4 2012 in an amount RON 944 thousand and as well in relation to the computation manner for the individual consumption communicated for the determination of the claw-back tax for the period Q1 2013-Q3 2013. To date, the Company has won in the Court the recovery of the VAT for the claw-back tax related to Q4 2012 in amount of RON 164 thousand and will investigate in the future the manners in which it may recover this amount or offset it against other tax obligations. The other litigations are in progress at the date of preparation of these financial statements.
- During 2016, KJK Fund II, Fondul de pensii facultative NN Activ, Fondul de pensii facultative NN Optim and Fondul de pensii Administrat Privat NN as shareholders of Zentiva SA brought an application to carry out an expertise on certain operations of Company, application based on Article 136 of Law 31/1991 to commercial companies. The applicant's action was dismissed by the Bucharest Tribunal. Subsequently to this decision, the plaintiffs have appealed. As at the date of these financial statements, the litigation was suspended for an undetermined period of time.

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.

12. NON-FINANCIAL DECLARATION

In accordance with the legal provisions on disclosure of non-financial information, the Company will prepare a separate report that includes the information required to be included in the non-financial statement. This report will be published on the Company's website on 30 June 2018.

13. 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 2017 the net assets of the Company are higher than the net liabilities by RON 243,900,045 (as of 31 December 2016, the net assets are higher than the net liabilities by RON 220,350,994). At the same date, the Company has a comprehensive income RON 89,241,756 (2016: RON 73,026,646).

The Budget for the year 2018 prepared by the Company's Management and approved by the Board of Administration indicates positive cash flows from the operating activities, an increase in sales and profitability.

At the end of October 2016, the Sanofi Group announced after the analysis of the all available options, the launch of segregation process of its generics division in Europe.

Zentiva S.A. it will be included in this segregation process. The main objective of Sanofi Group is to identify a potential buyer willing to guarantee the sustainable increase of this business on medium and long terms. As at the date of the approval of these financial statements, this process is on-going.

In the frame of the Sanofi European Generic divestment process that is expected to take place during the last part of 2018, Zentiva will continue to operate its business as usual, while upholding its commitment to offer affordable, high-quality, safe and effective medicines to our patients and customers.

The Management consider that the Company will continue the activity in the next predictable period and therefore the going concern principle is applicable on the preparation of these financial statements.

14. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On December 14, 2017 Zentiva SA has communicated that it has been informed by Zentiva NV, its majority shareholder acting in concert with Venoma Holdings Limited and Sanofi Aventis Europe in connection with Zentiva SA shares, that Zentiva NV, following a market sounding process, received on December 14, 2017 share sale commitments from minority shareholders holding together 10.4478 % of Zentiva SA social capital, main elements of such commitments being the following:

- i. Subscribe under a purchase public offering the full and exclusive title, free of any encumbrances and third party rights, over their entire share stake held in Zentiva SA, as well as on any other additional shares issued by Zentiva SA that the minority shareholders might own at the purchase public offering date, provided that the purchase public offering share price shall be 3,50 RON/share and that such purchase public offering is launched within the next 60 business days as of December 14, 2017 ("Commitment Period");
- ii. refrain from transferring, creating encumbrances or any third party rights upon the respective shares during the Commitment Period.

Also, Zentiva SA has been informed by Zentiva NV:

- in relation to the intention to start the preparation of launching the public offering;
- that the launch of the public offering by Zentiva NV and/or any person acting in concert with Zentiva NV is subject to the fulfilment of certain prior conditions, some of them being outside the control of Zentiva NV;
- that the price of the purchase public offering will be determined with the observance of the applicable legal provisions.

The public offer has been launched on 20.02.2018 and it will be ended on 05.04.2018.

Emmanuelle Valentin
President of the Board of Directors

Simona Cocos
General Manager

Georgeta Danu
Chief Accountant