Zentiva N.V.
Financial Statements 2007
Amsterdam, the Netherlands

Zentiva N.V.
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The Netherlands
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Section A
General overview

1. ABOUT ZENTIVA

Zentiva N.V. (Zentiva) is an international pharmaceutical company focused on developing, manufacturing and marketing modern branded generic pharmaceutical products. The Company is one of the largest pharmaceutical companies in Central and Eastern Europe based on its leading market positions in the Czech Republic, Turkey, Romania and Slovakia. In addition, Zentiva is developing its market presence in other key countries in the region including Poland, Russia, the Ukraine, Hungary, Bulharka and the Baltic States.

Zentiva's profitable growth strategy is based on increasing patient access to modern medicines through primary care providers in the markets of Central and Eastern Europe. This is being achieved by further organic development of its existing business and through selective acquisitions. In recent years, Zentiva has made important strategic acquisitions in Slovakia, Romania, Hungary and Turkey, significantly enhancing its ability to target the primary care sector across the region. Zentiva's product line-up is focused on prescription medicines, which are mainly used in the primary care segment, along with OTC medicines. The Company's products address a wide range of therapeutic areas but particularly cardiovascular disorders, inflammatory conditions, pain, infections and diseases of the central nervous system, as well as the gastrointestinal and urology fields.

The Zentiva Group currently employs over 6,000 people and has production sites in the Czech Republic, Turkey, Slovakia, and Romania.

Zentiva shares are listed on the Prague Stock Exchange and Zentiva's global depositary shares are listed on the London Stock Exchange. The Company's largest shareholders are the global pharmaceutical group Sanofi-Aventis (24.9%) and the insurance company Generali PPF Holding B.V (19.1%) and Fervent Holdings Limited (7.6%). Zentiva's management holds 6.0% of the company's shares. Other institutional and private investors hold a combined 42.4% of the company's shares.

2. KEY FIGURES

Financials (in CZKm)	*2003*	*2004*	*2005*	*2006*	*2007*
Sales	7,571	10,674	11,839	14,003	16,670
Gross profit	4,526	6,457	7,295	9,063	9,793
EBITDA [1]	2,194	3,092	3,240	4,173	3,546
EBIT [2]	1,828	2,531	2,578	3,303	2,170
Profit before tax	1,507	2,361	2,670	3,089	1,972
Net profit for the period	917	1,680	1,929	2,289	1,456
Attributable to:					
Equity holders of the parent	904	1,613	1,878	2,203	1,412
Minority interest	13	67	51	86	44
Earnings per Share					
Basic [3]	24.29	44.91	49.23	57.88	37.18
Diluted [4]	22.42	43.82	49.23	57.81	37.03
Net cash balance / (Net debt)	(3,323)	170	(1,950)	(2,520)	(14,570)
CAPEX	471	723	931	1,269	1,369
Free cash flow (before acquisitions)	1,187	1,355	1,273	1,027	1,465

Ratios	*2003*	*2004*	*2005*	*2006*	*2007*
Gross margin	59.8%	60.5%	61.6%	64.7%	58.7%
EBITDA margin	29.0%	29.0%	27.4%	29.8%	21.3%
EBIT margin	24.1%	23.7%	21.8%	23.6%	13.0%
Profit before tax margin	19.9%	22.1%	22.6%	22.1%	11.8%
Net profit [5] margin	11.9%	15.1%	15.9%	15.7%	8.5%
Net Cash (Net debt) to Equity	(112.1%)	2.4%	(19.9%)	(20.8%)	(121.8%)
Cash conversion [6]	64.9%	53.6%	49.4%	31.1%	67.5%
CAPEX as % of Sales	6.2%	6.8%	7.9%	9.1%	8.2%

Exchange Rates	*2003*	*2004*	*2005*	*2006*	*2007*
CZK/USD average	28.227	25.701	23.947	22.609	20.308
CZK/USD year end	25.654	22.365	24.588	20.876	18.078
CZK/EUR average	31.844	31.904	29.784	28.343	27.762
CZK/EUR year end	32.405	30.465	29.005	27.495	26.620

Notes to Chapter 2:
[1] Earnings before interest, tax, depreciation, amortization and impairment charged.
[2] Profit before tax and finance costs.
[3] Basic EPS for profit for the year attributable to ordinary equity holders of the parent is calculated by dividing Net profit for the period attributable to Equity holders of the parent (after deducting preference dividends) by the weighted average number of ordinary shares outstanding during the period (adjusted for share split in 2004 and 2003 and after deducting treasury shares).
[4] Diluted EPS for profit for the year attributable to ordinary equity holders of the parent is calculated by dividing Net profit for the period attributable to Equity holders of the parent (after deducting preference dividends) by the weighted average number of ordinary shares outstanding during the period which are adjusted for effect of dilutive potential shares (adjusted for share split in 2004 and 2003 and after deducting treasury shares).
[5] Net profit for the period attributable to Equity holders of the parent.
[6] Cash conversion = FCF before acquisitions to Profit before tax and finance costs.

3. HIGHLIGHTS

Strategic developments

- Zentiva has continued to pursue its primary care focused strategy. Zentiva believes that this strategy will enable it to generate growth, provide increasing value to all of its shareholders and to achieve its goal of becoming the leading pharmaceutical company in Central and Eastern Europe.

- In 2007, Zentiva delivered a number of key strategic initiatives which have given it a larger, better balanced business that is now targeting countries with a combined patient population in excess of 440 million people.

- In July, we completed the acquisition of Eczacıbaşı Generic Pharmaceuticals (now Eczacıbaşı-Zentiva) in Turkey. This is our largest ever take over and it is expected to play a key role in Zentiva's future growth. This acquisition has given us a strong position in the rapidly growing Turkish pharmaceutical market where the primary care segment is in its infancy. It has also provided us with the opportunity to generate significant economies of scale benefits across the whole of the Zentiva group.

- In March, we made a major investment in developing our critical mass in Hungary. We did this via the purchase of a range of products and operating assets, as well as a team of experienced people at all levels. This has led to us increasing our sales in Hungary by more than 15 times in 2007. We now have a platform for growth in a market of over 10 million people where spending on pharmaceuticals is relatively high compared to the rest of the region.

- During the course of 2007, we have made significant progress in improving our market position in both Poland and Russia, countries where we are pursuing an organic growth strategy. We were amongst fastest growing companies in each of these markets, and have now established leading positions in a number of the major therapeutic areas treated by primary care physicians. We expect to improve our position in both of these markets in 2008.

- In the final months of the year, Zentiva has taken a numer of actions to ensure that it can deliver the growth opportunities presented by its larger, better balanced business. During this period it has looked to strengthen its organisation and its management team as well as its productivity across the Group. This has led to a 4.2% reduction in the Company's workforce in final quarter of 2007 as we have looked to improve the efficiency of both our supply chain and commercial activities in particular. These improvements in productivity are expected to help to boost profits in 2008.

Financial highlights

- Zentiva's net sales increased to CZK 16,670.3 million in 2007, up 19.0% from CZK 14,003.1 million achieved in 2006. The key factor behind the growth in sales was the first time consolidation of the Company's recent Turkish acquisition which contributed in the second half of 2007 net sales of CZK 2,755.1 million. Higher sales were also achieved in Russia, Slovakia and Poland as well as a number of Zentiva's newer markets, which the Company is targeting. These include the Ukraine, the other CIS and the Baltic States. Sales in the Czech Republic and Romania declined.

- Zentiva's gross profit increased by 8.1% to CZK 9,793.3 million in 2007. The gross margin declined to 58.7% in 2007 from 64.7% the previous year. The lower gross margin is mainly due to the first time consolidation of Eczacıbaşı-Zentiva, which has a much lower gross margin. Excluding Eczacıbaşı-Zentiva the gross profit was CZK 8,874.4 million and the gross margin was 63.7% in 2007. This gross margin highlights the efficiency of the supply chain and the product portfolio management of the existing Zentiva business. This gross margin was even more impressive given the price pressures in both the Czech and Polish markets and an inventory writeoff and provisions in Romania of CZK 55.4 million.

- Zentiva's EBIT margin was 13.0% in 2007 compared to 23.6% in 2006. This margin decline was due to lower gross margins as well as higher spending on sales and marketing and general and administration costs. The latter item included CZK 136.4 million due to a net allowance for doubtful debts relating to Romanian customers and an impairment of fixed assets of CZK 226.8 million relating to discontinued product development at our Turkish acquisition and some other assets. The EBIT margin in 2007 excluding the consolidation of Eczacıbaşı-Zentiva was 17.5%.

- Zentiva reported a 35.9% decline in net profit [1] to CZK 1,412.4 million in 2007 from CZK 2,203.2 million in 2006. The net margin decreased to 8.5% from 15.7% in 2006. As a result the Company reported diluted earnings per share of CZK 37.03 or USD 1.82. Excluding Eczacıbaşı-Zentiva, the Company's net profit was CZK 1,609.2 million in 2007 representing a margin of 11.5%.

- The Board of Directors has recommended that Zentiva pays a dividend of CZK 7.40 per share for 2007. This proposal will be subject to shareholder approval at the AGM to be held on June 5, 2008.

[1] Profit for the period attributable to equity holders of the parent

4. CHAIRMAN AND CEO'S STATEMENT

Dear Shareholder,

Despite the challenging year 2007, Zentiva has delivered a number of important strategic milestones that we believe will be critical to achieving the Company's goal of becoming the leading pharmaceutical company in Central and Eastern Europe.

During the year we significantly extended our geographic reach particularly in Turkey and Hungary. In Turkey, we made the largest acquisition in our history when in July we purchased Eczacıbaşı Generic Pharmaceuticals (now Eczacıbaşı-Zentiva). This acquisition immediately made us one of the leading pharmaceutical companies in Turkey, a market which is forecast to be one of the world's top 10 pharmaceutical markets by 2010. In 2008, Turkey is expected to become Zentiva's largest market in terms of sales.

In Hungary, we were able to greatly enhance our market position via an investment in a number of products and assets, as well as personnel, that will allow us to develop our business in this sizeable market more efficiently. In addition, we have become important players in the Russian and Polish markets by growing our businesses organically. We have achieved this success as a result of Zentiva becoming one of the leaders in a number of important therapeutic areas in primary care. Taken together, these developments have given us a better balanced business which is targeting a patient population over 440 million people.

However, we did not perform as we expected financially in 2007. While we were able to increase net sales by 19% to CZK 16.7 billion, our profits declined by 36% to CZK 1.4 billion. Our higher sales were driven mainly by the first time inclusion of our Turkish acquisition, Eczacıbaşı-Zentiva. The key reasons behind our lower profits were the actions we took in the second half of 2007 in Romania to improve cash generation and the slower than expected sales development in Turkey.

During the second half of the year we responded to these challenges by taking a number of actions to improve the efficiency of the whole Zentiva organisation.

PRIMARY CARE FOCUSED STRATEGY

The development of Zentiva's business in 2007 has convinced us that our primary care focused strategy will allow us to achieve our key corporate goals. Over the last five years Zentiva has been able to considerably extend its geographic reach across Central and Eastern Europe based on its primary care focused strategy. This expansion has been achieved by a combination of organic growth and acquisitions. Going forvard Zentiva intends to remain committed to primary care. This is based on our confidence that the long term factors which underpin the growth potential of this market segment across Central and Eastern Europe, are still in place. These are:

The strong economic growth of many of the countries of Central and Eastern Europe.

The rising demand for improved healthcare from the citizens of these countries which will drive pharmaceutical spending across the region.

The growth of the primary care segment as the provision of healthcare shifts from hospitals to primary care physicians as authorities across the region look to deliver healthcare more efficiently. Generic medicines, such as those provided by Zentiva, are key to efficiency in primary care as they provide modern treatments at affordable prices.

These important trends provide evidence that Zentiva remains in a very attractive strategic position. Our whole business is geared to providing modern pharmaceutical products to the primary care sector at appropriate cost to the healthcare providers in the countries in which we operate. Central to this success is our on-going focus on continually improving the efficiency of our vertically integrated supply chain. The recent expansion of our business provides us with opportunities to generate further economies of scale given our greater geographic reach, our larger manufacturing capacity and our enhanced product portfolio.

To ensure that we can fully capitalize on this strong platform, we are working to strengthen our organization so that we have the necessary skills and experience to exekute more tailored local business approaches in each of our markets. A key aspect of this more tailored approach is the need to take account of and be aware of important trends in the market, particularly government actions designed to control the pace of growth in healthcare expenditure.

OUR PERFORMANCE ACROSS THE REGION IN 2007

In 2007, Zentiva has performed as follows in its core markets.

In the Czech Republic, we experienced a 6.8% decline in sales to CZK 4.7 billion in 2007 due to reimbursement cuts which took place at the beginning of the year in the generic segment of the market. In response to these developments, Zentiva took a number of actions to maintain its profitability, improving the efficiency of its commercial organization and shifting its marketing activities to more promising promotional channels. As a result, the Czech commercial team headcount decreased by 15.9% to 207 at the end of 2007. Given the speed of the Company's response to the rapidly changing marketplace, Zentiva was able to achieve higher efficiency in the Czech market in 2007, despite the decline in sales.

In Romania, Zentiva's sales declined by 19.5% to CZK 2.0 billion. This decline was the result of our decision to shift our near term focus in this market from growth to cash generation and working capital management. Given our actions in the second half of the year, we believe that our business in Romania is now in a much better position to deliver growth in 2008. We also believe that Romania is an attractive market for Zentiva longer term and that it will play an important role in our future growth.

In Poland, Zentiva delivered a very good sales performance in 2007 against a market background that was more difficult than we anticipated. In 2007, our sales increased by 11.8% to CZK 2.2 billion. This growth was driven by much higher volumes, which successfully offset the double digit price declines that resulted from the new product categorizations which took place in both the first and fourth quarters of 2007. The strength of the Polish organization was again reflected in the in-market data which showed that Zentiva continued to improve its market position ranking among the largest and the fastest growing pharmaceutical companies in Poland[1].

In Slovakia, the actions that Zentiva has taken in recent years to address the changing market place combined with our leading market position allowed us to deliver a positive sales performance in 2007. The volume growth delivered by our more efficient sales organization, as well as some benefits from exchange rates meant that our sales increased by 14.0% to CZK 2.2 billion in 2007.

In Russia, we had another very positive year with sales up 19.9% to CZK 1.6 billion in 2007. This outcome was due to our significant growth in the "private" segment of the market which more than offset declining sales from the Government reimbursed DLO system. This success was due to the strong growth in volumes that was achieved by our enlarged commercial organization as a result of the success of a number of our leading branded generic products in the cardiovascular, urology and OTC markets.

In Turkey, Zentiva's newest market, our sales in the sekond half of 2007 developed more slowly than originálky envisaged. This was due to a combination of a month long production shut down and a government price cut, based on foreign exchange developments, which took place towards the end of the year.

This financial performance, however, masks the progress that we have made with the new Eczacıbaşı-Zentiva organization. We are well on our way to integrating this significant business into the Zentiva Group and are konfident that we can create a platform which will play a significant role in our future success. In the latter part of 2007, we took a number of actions designed to improve the efficiency of our Turkish business which we expect to benefit our financial performance in 2008.

[1] Source: IMS (Retail market), 12 Months to December 31, 2007

In 2008, we expect to introduce a number of exciting new products into the Turkish market, all of which we acquired with Eczacıbaşı Generic Pharmaceuticals. We believe that the combination of our current product portfolio and our planned new product launches means that our business in Turkey is well positioned to achieve our growth expectations over the next several years.

COMMUNICATING WITH INVESTORS

In 2007, Zentiva has continued to ensure that it communicates openly with the investment community. The Company's management is committed to this approach to investor relations as we believe transparent communication with our shareholders is vital, irrespective of how well our business is performing at any point of time. To further enhance our information flow to investors, we have introduced regular reports on sales into our reporting calendar starting from 2008.

During the year Zentiva's share price performance has reflected the disappointing earnings performance referred to earlier in my statement. The fact that our business did not develop financially as either we or investors envisaged resulted in our shares falling from CZK 1,283.0 at the beginning of January to CZK 972.0 by the year end.

LOOKING AHEAD

Zentiva's management is determined that the Company should deliver both higher sales and earnings in 2008. In order to achieve this we are working hard to improve our performance across a number of key areas of our business.

The rapid geographical expansion of Zentiva's business has resulted in us having a much larger and more komplex business to manage. This has meant that we need to have management in place across the whole organization that is able to capitalize on the opportunities that the enlarged scale of our business offers. This is something that we have been working on with the consultants McKinsey and that we will continue to actively progress in 2008. I am confident that by investing in our organizational structure and our management talent we will be able to execute successfully the key elements of our growth strategy.

In 2008, we will be working hard to achieve the economies of scale across our production and supply chain that our new Turkish acquisition offers. The lower gross margins of our business in Turkey provides us with an opportunity to build its profitability, based on the expertise within Zentiva in terms of running our R&D, production and supply chain activities as efficiently as possible. One area which we believe will help us achieve this goal is placing more effort on contract manufacturing to ensure we can improve capacity utilization in our Turkish manufacturing facilities.

Another area where we are working to improve our efficiency is our commercial operations. During the final quarter of 2007 we reduced the size of our commercial team by 8.2% to 2,327 people with the biggest cutbacks taking place in Turkey, Romania, Poland and some other markets. In parallel with these efficiencies, we are also working to optimise our marketing approach in each of the markets that we operate. Given the progress that we have made with our sales organization in the last several months, I am confident that this is an area where we will deliver a much improved performance in 2008 as a result of new product launches and active portfolio management.

A further area which we expect to positively impact our performance in 2008 is financial management. Zentiva is very focused on managing the cash generation of its business. The actions that we have taken in Romania and the impact that they have had, highlights our ability to manage this aspect of our business successfully. In 2008, we expect to work even harder on this cash generation, particularly in Turkey where trade discount levels are higher than in most of our other markets.

FOCUSING ON OUR GOALS

Zentiva has continued to execute on its primary care focused growth strategy as we work towards our goal of becoming the leading pharmaceutical company in Central and Eastern Europe. In parallel, we have responded to the challenges that we faced in 2007 in a professional and decisive manner.

In markets such as Turkey, Romania and Russia as well our newer markets in the region such as Ukraine and Hungary we believe we have significant opportunities for growth. To capitalize on this potential we continue to focus on ensuring that we have the best product line up of modern branded generic medicines in each of our markets at the prices that we need to remain competitive. In addition, we are developing the management team and organization needed to manage the growth of a business that is targeting a much larger patient population.

With these actions and the attractive opportunities that we continue to see in primary care across the region I am confident that Zentiva should produce both higher sales and earnings in 2008. Our focus on primary care is not only fundamental to our business success but is core to our corporate culture which is driven by the desire to help improve the quality of the lives of the people in the markets in which we operate.

Jiří Michal
Chairman of the Board and CEO

5. INVESTOR REVIEW

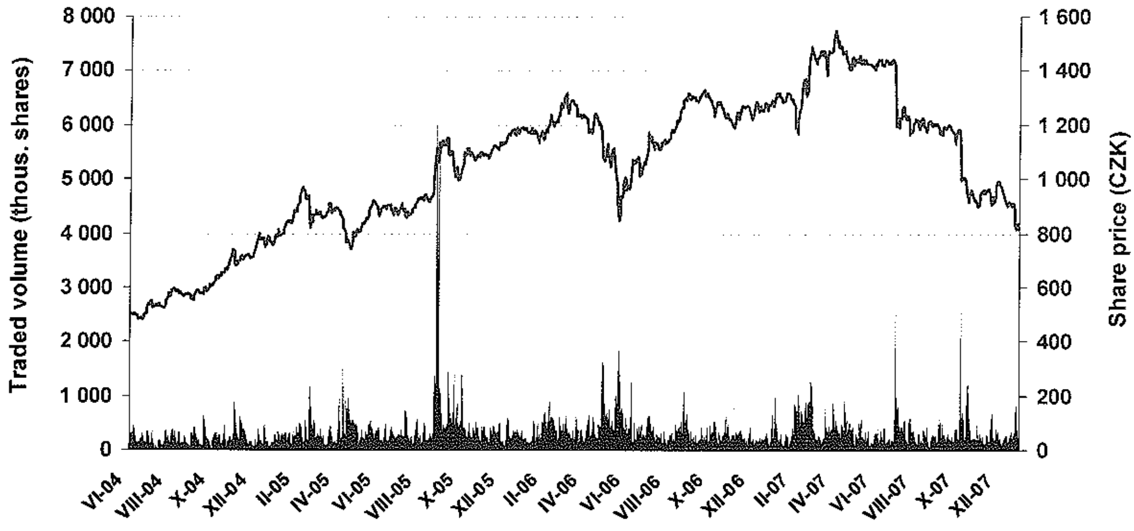
Zentiva's shares and global depositary shares

Zentiva's shares and global depositary shares (GDSs) have been listed on the Prague and London Stock Exchanges, respectively, since June 28, 2004. As of December 31, 2007, the Company had issued 38,136,230 ordinary registered shares with a nominal value of EUR 0.01 each. The shares are in certificated form, but are capable of being, and are held in uncertificated form. The aggregate nominal value of the issued shares is EUR 381,362.30. The shares are traded on the Prague Stock Exchange (PSE) and their ISIN is NL0000405173. The global depositary shares are traded on the London Stock Exchange (LSE) and their ISIN is US 98942R2040 (for Regulation SGDSs) and US98942R1059 (for Rule 144A GDSs).

Share price performance

Zentiva had a market capitalisation of CZK 37.1 billion (USD 2.0 billion)[1] at the end of 2007. Based on Zentiva's market capitalisation, the Company's shares are part of the PX, the index which includes all of the leading shares listed on the PSE. Zentiva's shares were the third most actively traded on the Prague stock exchange in terms of value, in 2007, accounting for 11% of all trades.

Zentiva share price development since its IPO



Dividend policy and dividend payments

Zentiva is focused on providing its shareholders with industry leading returns on their investment. An important contribution to shareholders' return comes in the form of the Company's dividend payments. Zentiva's dividend policy, which was outlined at the time of the IPO, is to target a dividend payment equal to 15-20% of the Company's consolidated net earnings. The Board's dividend proposal for 2007, which needs to be approved at the Annual General Meeting, is that the dividend for 2007 will be CZK 7.40 per share.

[1] CZK/USD 18.078 Exchange rate as at December 31, 2007

Dividends paid since IPO

	2005	2006	2007
Dividend (CZK per share)	8.00	9.50	11.50
Pay-out ratio	18.9%	19.3%	19.9%

Shareholders

Shareholder structure as at December 31, 2007 [1]

Shareholder	Ownership (%)
Sanofi – Aventis Group	24.9
PPF Group N.V.	15.3
Management and Employees	6.0
Other Institutional & Private Investors	53.8
Total	100.0

[1] Source: AFM, Zentiva's internal records

Changes of the Shareholders structure during 2007

On November 23, 2007, Zentiva announced that the PPF Group N.V. disclosed to the Dutch Authority for the Financial Markets[1] (Autoriteit Financiële Markten, the "AFM") that, as of November 7, 2007, PPF Group N.V. held indirectly (through Česká pojišťovna, a.s., CP Reinsurance Company Limited, Česká pojišťovna ZDRAVÍ a.s., Penzijní fond České pojišťovny a.s., CP INVEST investiční společnost a.s., and PPF banka a.s.) 5,822,270 shares of Zentiva, representing 15.27% of total capital interest and voting rights in Zentiva.

Changes of the Shareholders structure since the beginning of 2008

On January 28, 2008 Zentiva announced that J&T Financial Services Limited disclosed to the AFM that, as of January 22, 2008, J&T Financial Services Limited held indirectly (through Fervent Holdings Ltd., LCE Company Ltd., and Levos Ltd.) 2,033,991 shares of Zentiva, representing 5.33% of total capital interest and voting rights in Zentiva.

On January 31, 2008 Zentiva announced that Generali PPF Holding B.V. disclosed to the AFM that, as of January 17, 2008, Generali PPF Holding B.V. held indirectly (through Česká poisťovna – Slovensko, akciová spoločnosť, CP Reinsurance Company Ltd, Česká pojišťovna ZDRAVÍ a.s., Penzijní fond České pojišťovny, a.s., ČP Invest investiční společnost, a.s., Generali pojišťovna a.s., and Generali penzijní fond a.s.) 7,299,140 shares of Zentiva, representing 19.14% of total capital interest and voting rights in Zentiva.

Fervent Holdings Limited notified to the AFM that, as of March 26, 2008, Fervent Holdings Limited held 7.62% of total capital interest and voting rights in Zentiva.

[1] Under Dutch law, if any person or entity actively or passively, directly or indirectly, acquires or disposes of shares and/or voting rights relating to Zentiva and such person or entity knows or should reasonably know that the shares and/or voting rights that are at its disposal reach, exceed or fall below any of the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75%, or 95%, that person or entity must promptly notify the same to the AFM. Notifications received by AFM are then published by AFM on its website at www.afm.nl (go to "English", "Public database", and "search in registers" for Zentiva).

Shareholder structure as at date of the Report

Shareholder structure as at date of the Report[1]

Shareholder	Ownership (%)
Sanofi – Aventis Group	24.9
Generali PPF Holding B.V.	19.1
Fervent Holdings Limited	7.6
Management and Employees	6.0
Other Institutional & Private Investors	42.4
Total	100.0

[1] Source: AFM, Zentiva's internal records

Voting rights of Zentiva's shareholders correspond to the percentage of their ownership of Zentiva's shares.

No major shareholders of Zentiva have any voting rights which are different from the voting rights of any other shareholders.

Zentiva is not aware that it would be directly or indirectly controlled by any of its shareholders or group of shareholders. Neither is Zentiva aware of any arrangement the operation of which could result in the future in a change in control of Zentiva.

Ownership of own shares

As of December 31, 2007, Zentiva owned 171,000 of its own shares vs. 126,000 shares at the end of 2006. During2007 Zentiva purchased 45,000 its own shares for a total consideration of CZK 59.7 million, or CZK 1,325.8 pershare. These shares were purchased to be used as part of the Company's employee stock option plan. Zentiva's purchases of its own shares are disclosed on the Company's website.

Zentiva's IR commitment generates growing analyst coverage

A key focus of Zentiva's investor relations activities since its listing has been to increase the number of analysts providing research on the Company. At present the Company has 14 analysts who communicate regularly with investors and other interested parties about developments at Zentiva. Encouragingly these analysts are both from the local Czech broking community as well from leading global investment banks. This level of coverage reflects the interest in Zentiva's business, the fact that it is one of the largest companies quoted on the PSE by market capitalization as well as the Company's commitment to Investor Relations.

Transparent communication to the financial markets is a very important to Zentiva. In 2008, in keeping with this policy, Zentiva has decided to further enhance the level of disclosure that it makes to shareholders and other interested members of the investment community. In addition to its Quarterly Reports and the Annual Report, Zentiva has decided to publish its quarterly sales figures shortly after the period end.

At the time of each quarterly detailed results announcement the Company holds a conference call to ensure that analysts and investors can access the senior management team with any questions that they have. Zentiva also participates in a number of conferences organized by leading investment banks in both London and New York, as well as conducting regular roadshows with both shareholders and interested investors.

The company's website www.zentiva.nl (or www.zentiva.cz) gives access to current financial and business information about Zentiva.

The Company's Annual General Meeting takes place in Amsterdam and formal notification is sent to shareholders at least one month in advance. At the Meeting a business presentation is made to shareholders and all Directors able to attend are available for questions.

SECTION A – GENERAL OVERVIEW

In keeping with a public company which benchmarks its activities against its international peers, Zentiva has a strong commitment to corporate governance. A review of Zentiva's corporate governance policies and activities is outlined on page 54 of this report.

List of extraordinary information published in 2007 and at the beginning of 2008[1]

Year 2007

Announcement	Date
Zentiva enters the Hungarian Market	March 1, 2007
Zentiva to Acquire Control of Eczacibasi Generic Pharmaceuticals business	March 5, 2007
Notice of EGM and Shareholders' Circular	March 9, 2007
Results of EGM	April 2, 2007
Notice of AGM	May 3, 2007
Results of AGM and Dividend payment	June 6, 2007
Results of AGM - details	June 8, 2007
Execution of EUR 550m Credit Facility Agreement	June 19, 2007
Zentiva completes acquisition of Eczacibasi Generic Pharmaceuticals	July 2, 2007
Preliminary Information on Performance for the Six Month Period Ended June 30, 2007	July 27, 2007
Change in Senior Management Team	October 2, 2007
Preliminary Information on Performance for the Nine Month Period Ended September 30, 2007	October 29, 2007
Notification of Change in Shareholder Structure	November 23, 2007
2008 Reporting Calendar	December 20, 2007

Beginning of 2008

Announcement	Date
Notification of Change in Shareholder Structure	January 28, 2008
Notification of Change in Shareholder Structure	January 31, 2008
12M 2007 Sales report	February 14, 2008
Turkish acquisition - Post-closing adjustment agreement	March 6, 2008

[1] Full wording of the Announcements is available on www.zentiva.cz in "Investors" section.

Reporting calendar for 2008

Announcement	Date
12M 2007 Sales Report	February 14, 2008
Preliminary 2007 Results[1]	March 10, 2008
3M 2008 Sales Report	April 24, 2008
Audited 2007 Results and Annual Report	April 30, 2008
3M 2008 Results[1]	May 19, 2008
6M 2008 Sales Report	July 22, 2008
6M 2008 Results[1]	August 4, 2008
9M 2008 Sales Report	October 22, 2008
9M 2008 Results[1]	November 10, 2008

[1] Unaudited Results

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6. GROUP STRATEGY

Zentiva's development has been driven by its managementteam focusing on a clear and consistent strategy for profitable growth. This strategy, which is also designed to achieve Zenitva's goal of becoming the leading pharmaceutical company in Central and Eastern Europe, is based on a number of key elements:

- Extending Zentiva's geographic reach outside its core markets of the Czech Republic, Turkey, Romania, Poland, Slovakia, and Russia into new markets of Central and Eastern Europe and strengthening its position in existing markets to become either a national pharmaceutical player or a leader in selected therapeutic areas. The Company's geographic expansion is being achieved via a combination of organic growth and selected acquisitions that meet Zentiva's strategic objectives.

- Developing, manufacturing, marketing and selling modern pharmaceuticals at competitive prices in selected key therapeutic areas which are mainly treated by primary care physicians or are self-medicated by the patient. These include cardiovascular, central nervous system, pain management, alimentary tract, gynecology, urology, and consumer healthcare.

- Focusing on building an internationally competitive, efficient and flexible organization which is able to capitalize on the significant market opportunities that exist in primary care across Central and Eastern Europe thanks to Zentiva's strong management team, efficient and tightly integrated production capabilities and product development processes.

- This strategy has enabled Zentiva to move from being a business that was focused mainly on the Czech market in early 2003 to one of the leading pharmaceutical companies in Central and Eastern Europe today. Overthis period we have increased net sales from CZK 7,571 million to CZK 16,670 million and increased our head count from under 3,000 to over 6,000.

- We have used important acquisitions in Slovakia, Romania and Turkey to gain market leading positions in each of these countries and to generate significant economies of scale across our production and supply chain. Turkey is also expected to play an important role in Zentiva's possible expansion in the Middle East in the medium term. At the same time we have invested heavily in the sales and marketing needed to successfully generate organic growth in other countries such as Poland, Russia and some of our newe r markets across the region. This investment has seen us build our presence in each of these countries but equally importantly has seen us establish leading market positions in many of the key therapeutic areas which are treated by primary care physicians.

Significant opportunities in primary care

Zentiva's commitment to its existing strategy is based on the potential for the growth of primary care across the region. This is being driven by:

- The strong economic growth of many of the countries of Central and Eastern Europe.

- The rising demand for improved healthcare from the citizens of these countries that is leading to increased pharmaceutical spending across the region. Per capita spending in markets across the region is currently much lower than in the markets of Western Europe and the US.

- The growth of the primary care segment as the provision of healthcare shifts to primary care physicians from hospitals as had previously been the case.

These important trends put Zentiva in an attractive strategic position given that its whole business is geared to providing modern pharmaceutical products at appropriate cost to the healthcare providers in the countries in which it operates. The use of generic products, such as those supplied by Zentiva, is a very attractive option financially for healthcare providers given that many more patients can be treated in a primary care setting than would be the case in the more expensive hospital based sector providing them with the efficiencies in healthcare spending that they are constantly looking for.

In order to ensure that Zentiva can deliver its growth targets it needs to tailor local business approaches in each of its markets. A key aspect of this centers on the sales and marketing activities that we undertake in each market and how we can ensure that they generate the best returns from this investment. This approach also needs to take into account important trends in each market, particularly Government actions designed to control the pace of growth in healthcare expenditure. The successful local execution of the most appropriate sales and marketing strategy in each of Zentiva's markets is seen as becoming even more critical in the future. To ensure that Zentiva is able to deliver in this respect the Company is continuing to strengthen and develop the local management teams in each of its markets across the region.

7. PHARMACEUTICAL SALES

Zentiva's total net sales grew by 19.0% to CZK 16,670.3 million in 2007. Zentiva's higher sales are largely due to the consolidation of Eczacıbaşı-Zentiva from July 2007. The Company's new Turkish subsidiaries contributed net sales of CZK 2,755.1 million. Excluding the impact of the Turkish business, Zentiva's sales in 2007 were approximately the same as in 2006.

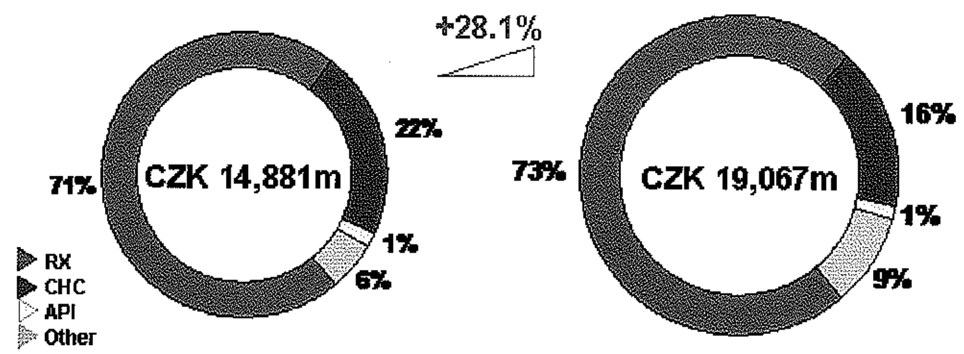
In 2007, Zentiva's pharmaceutical business saw its sales increase by 23.3% to CZK 17,036.6 million. Prescription product sales increased by 31.2% to CZK 13,929.9 million while Consumer Healthcare (CHC) sales declined by 3.1% to CZK 3,106.7 million. The lower sales of CHC products, reflects developments in Romania and the limited exposure of Eczacıbaşı-Zentiva to this segment of the market.

Zentiva's continued focus on its modern promoted pharmaceutical portfolio led to its increased contribution to overall sales. In 2007, promoted prescription pharmaceutical sales rose by 29.5% to CZK 8,362.5 million, while promoted CHC sales rose by 1.4% to CZK 2,466.3 million. The sales of Zentiva's top fifteen pharmaceutical products represented 40.7% of total pharmaceuticals sales in 2007.

(in CZKm)	2006	2007	% change
Pharmaceuticals	13,821.5	17,036.6	23.3%
Prescription	10,614.6	13,929.9	31.2%
CHC	3,206.9	3,106.7	(3.1%)
API	225.5	286.7	27.2%
Other Sales[1]	834.3	1,743.1	108.9%
Gross Sales	14,881.2	19,066.5	28.1%
Sales Deductions	(878.1)	(2,396.2)	172.9%
Net Sales	14,003.1	16,670.3	19.0%

[1] Includes contract manufacturing sales and services

Sales by Product Group



Zentiva's Top Selling Brands

(in CZKm)	Pharmaceutical compound	Therapeutic category	Twelve Months to Dec. 31		
			2006	2007	*change*
HELICID	omeprazole	anti-ulcerant	922.7	972.2	*5.4%*
LOZAP	losartan	anti-hypertensive	598.5	849.7	*42.0%*
TORVACARD	atorvastatin	hypolipidemic	470.2	764.2	*62.5%*
SIMVACARD	simvastatin	hypolipidemic	986.4	680.9	*(31.0%)*
IBALGIN	ibuprofen	anti-inflamatory	413.9	432.2	*4.4%*
PENESTER	finasteride	urology	464.0	392.8	*(15.4%)*
PINOSOL	herbal	nasal decongestant	339.1	380.0	*12.1%*
ALGOCALMIN	metamizol	pain	374.3	356.5	*(4.8%)*
ZOXON	doxazosin	urology	406.4	328.2	*(19.3%)*
MYCOMAX	fluconazole	anti-fungal	279.5	327.4	*17.1%*
AGEN	amlodipine	cardiovascular	275.9	323.6	*17.3%*
THIOSPA[1]	thiocolchicoside	musculoskeletal	-	303.6	-
FOKUSIN	tamsulosin	urology	214.6	288.2	*34.3%*
AZITROX	Azitromycin	respiratory	255.6	274.1	*7.3%*
COXTRAL	nimesulide	pain	204.1	254.0	*24.4%*
Total			**6 205.2**	**6 927.5**	*11.6%*

[1] Eczacibasi-Zentiva product – data for the second half of 2007

Prescription pharmaceutical products

In 2007, Zentiva's prescription pharmaceuticals achieved sales growth of 31.2% to CZK 13,929.9 million. This was the result of the first time consolidation of Eczacıbaşı-Zentiva, and the positive performance of our promoted prescription brands, up 29.5% to CZK 8,362.5 million. Within our core markets, our promoted prescription portfolio grew by 12.2% in Poland, 8.5% in Slovakia and 18.7% in Russia while they fell by 12.6% in the Czech Republic and 17.1% in Romania respectively.

Amongst the key Zentiva brands which delivered good growth in 2007, were the anti-ulcer drug Helicid (omeprazole), the anti-hypertensive Lozap (losartan), the lipid lowering agent Torvacard (atorvastatin), the cardiovascular drug Agen (amlodipine) as well as the urological product Fokusin (tamsulosin), and the antibiotic Azitrox (azithromycin).

Consumer health care (chc) pharmaceutical products

During 2007, Zentiva's CHC business declined by 3.1% to CZK 3,106.7 million. This decline in sales was largely due to the negative impact of developments in our Romanian business. In our other key markets CHC sales were driven by products such as Ibalgin (ibuprofen), Pinosol (herbal), cough & cold drug Paralen (paracetamol), the anti-fungal agent Mycomax (fluconazole). In Romania the largest selling CHC product was Ser Fiziologic (injectable). The consolidation of Eczacıbaşı-Zentiva which sells mainly prescription drugs has had a limited impact on overall CHC sales.

API

In 2007, reported third party API (Active Pharmaceutical Ingredient) sales increased by 27.2% to CZK 286.7 million, due to higher revenues in the second half of the year from the impact of the Turkish acquisition.

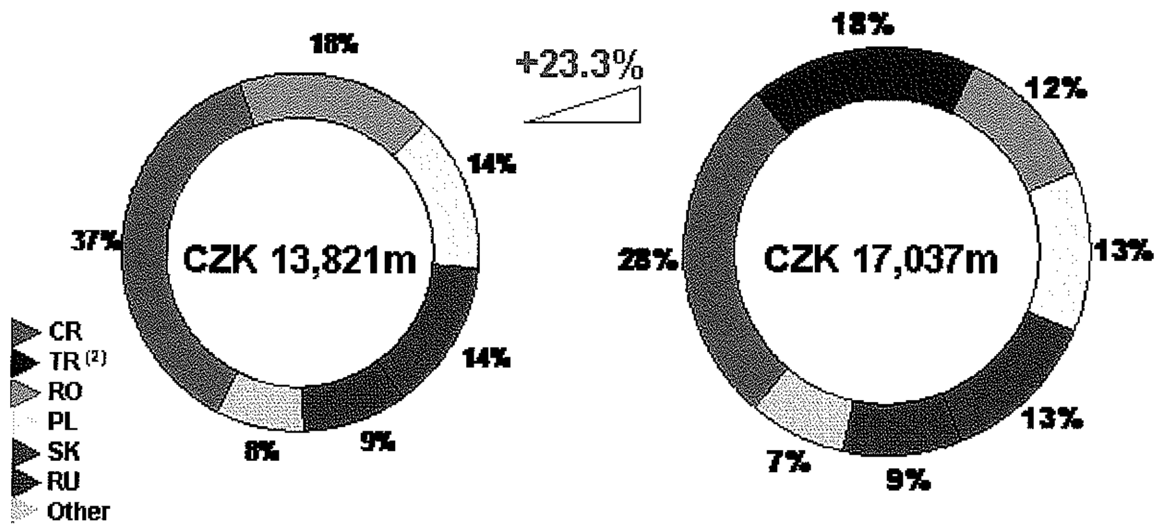
Other sales

Other sales represent Zentiva's non-pharmaceutical business, comprising mostly of contract manufacturing, sale of know-how and services. Sales in these areas reached CZK 1,743.1 million, up 108.9% year on year during 2007, largely due to the impact of the Turkish acquisition. Of this total, Eczacıbaşı-Zentiva contributed contract manufacturing sales of CZK 835.9 million and services and other sales of CZK 110.7 million.

Sales deductions

Sales deductions in 2007 increased by 172.9% to CZK 2,396.2 million as a result of the Company's changed geographic sales mix and the first time inclusion of Eczacıbaşı-Zentiva, which accounted for 54.3% of the total discounts. In Turkey, sales discounts are higher than in Zentiva's other markets. In the same period in 2006, sales deductions amounted to CZK 878.1 million.

Sales by Geography



(in CZK mil.)	2006	2007	change
Pharmaceuticals	13,821.5	17,036.6	23.3%
Czech Republic	5,088.0	4,740.3	(6.8%)
Turkey [1]		3,045.9	
Romania	2,478.7	1,994.9	(19.5%)
Slovakia	1,891.6	2,156.2	14.0%
Poland	1,943.0	2,172.6	11.8%
Russia	1,316.8	1,579.5	19.9%
Other markets	1,103.3	1,347.4	22.1%
Ukraine	399.8	492.4	23.1%
Baltic states	205.3	290.8	41.7%
Hungary	16.3	251.9	1,444.7%
Bulgaria	282.3	128.8	(54.4%)
Other	199.6	183.5	(8.1%)
API	225.5	286.7	27.2%
Other sales [2]	834.2	1,743.1	108.9%
Gross sales	14,881.2	19,066.5	28.1%
Sales deductions	(878.1)	(2,396.2)	172.9%
Net sales	14,003.1	16,670.3	19.0%

[1] Eczacibasi-Zentiva total pharmaceuticals sales
[2] Includes contract manufacturing sales and services

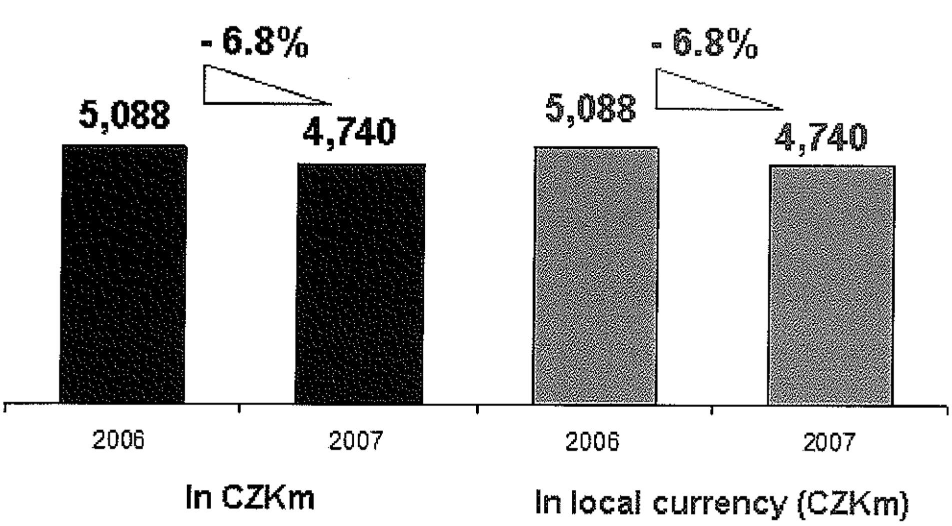
The Czech market

The Czech market in 2007	
Population [1]	10.2m
Pharmaceutical market size [2]	USD 1.55bn
Pharmaceutical market performance (in local currency)	11.0%

Source: [1] EIU, [2] IMS (Retail Market), 12 Months to December 31, 2007

In 2007 the Czech retail pharmaceutical market increased by 11% to CZK 31.3 billion[1]. However, in the generics segment of the market where Zentiva operates sales declined. This decline was due to government measures introduced at the beginning of the year that were designed to curb the growth in healthcare expenditure.

Zentiva's largest market is the Czech Republic where the Company has been for many years the leading supplier of both prescription and CHC medicines. In the prescription pharmaceutical market the Company's market leadership is based on its strong position in the primary care market and in particular the cardiovascular, CNS and alimentary therapeutic categories.



(in CZKm)	2006	2007	% change
Total sales	5,088.0	4,740.3	(6.8%)
Promoted product sales	2,857.7	2,496.6	(12.6%)
Commercial Staff	246	207	(15.9%)

Zentiva has currently approximately 28% of the overall retail market for pharmaceutical products in the Czech market by volume. In value terms Zentiva's market share is just below 13%. Zentiva's leading position in the Czech market is the result of its dominant share of the branded generics market. Amongst the other leading companies operating in the Czech pharmaceutical market are Novartis, GSK, Sanofi-Aventis, Servier, Pfizer and Teva.

Zentiva's sales in the Czech market declined by 6.8% to CZK 4,740.3 million during 2007. This sales decline was due to the reimbursement reductions which took place at the beginning of the year in the generic segment of the Czech market, which led to lower volumes and further pressure on in-market prices. During the year, promoted brands accounted for 52.7% of Zentiva's Czech sales in 2007 vs. 56.2% in the same period in 2006. The decline in the share of promoted brand sales was due to a reduced number of products being actively promoted as Zentiva

[1] IMS (Retail Market), 12 Months to December 31, 2007

responded to the changed market situation.

In response to this more difficult environment, Zentiva has taken steps to maintain the profitability of its Czech business by improving the efficiency of its commercial organization. As a result, the Company's commercial team headcount has decreased by 15.9% from a year ago to 207 at the end of December 2007. This more efficient commercial structure meant that Zentiva generated higher operating profits in the Czech market in 2007 despite its lower sales.

The key promoted brands which have achieved sales growth in 2007 in the Czech market were the cardiovascular drugs Lozap (losartan), Torvacard (atorvastatin) and Agen (amlodipine) as well as the anti-ulcer drug Helicid (omeprazole). The CHC product Ibalgin (ibuprofen) has also seen good sales growth, along with the painkiller Paralen (paracetamol).

Zentiva launched 3 new products in the Czech market in 2007; the anti-migraine drug Cinie (sumatriptan), the CNS drug Argofan (venlafaxine), and female drug Risendros (risendronate). Zentiva received 8 new marketing authorizations in the Czech Republic in 2007.

The Turkish market

The Turkish market in 2007

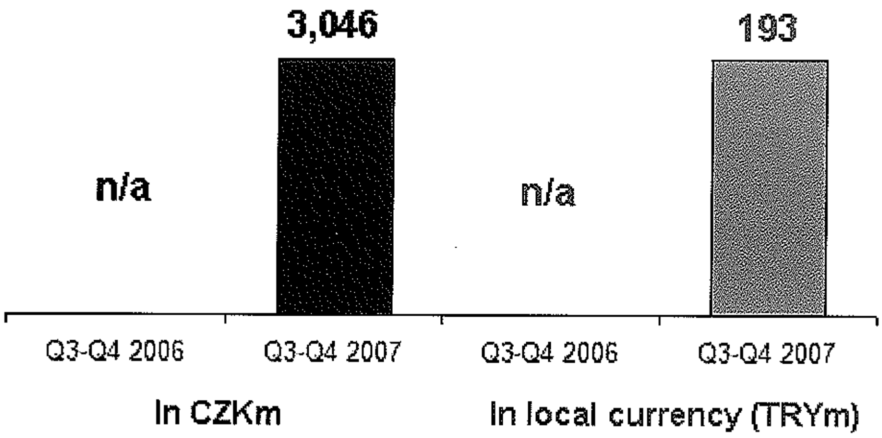
Population [1]	74.3m
Pharmaceutical market size [2]	USD 8.91bn
Pharmaceutical market performance (in local currency)	16.3%

Source: [1] EIU, [2] IMS (Retail Market), 12 Months to December 31, 2007

As a result of its Turkish acquisition, Turkey is expected to become Zentiva's most important market in 2008 via the new Eczacıbaşı-Zentiva. Turkey is an attractive market for Zentiva, given the size of its population, its demographics, the potential growth in the demand of pharmaceuticals and the opportunity to develop the primary care segment of the market

In 2007, the Turkish market grew by an estimated 28.1% to USD 8.91 billion. It is estimated that just under half of the market is accounted for by generic products with rest being original products. As a result of its acquisition of Eczacıbaşı Generic Pharmaceuticals, Zentiva ranks as the one of the country's leading generic suppliers and number 12 in the market overall by value. The leading pharmaceutical companies in Turkey are Novartis, Ibrahim, Sanofi-Aventis, Bilim and Pfizer[1].

[1] IMS (Retail Market), 12 Months to December 31, 2007



(in CZKm)	Q3–Q4 2007
Total sales	3,045.9
Promoted product sales	1,763.7
Commercial Staff	586

Eczacıbaşı-Zentiva contributed pharmaceutical sales of CZK 3,045.9 million in the second half of 2007 of which almost 60% came from the promoted brands. Sales in Turkey have developed more slowly than originally envisaged, due to a combination of a month long production shut down in July and a Government price cut of 7.1% based on foreign exchange developments which took place in November 2007. The leading products in the second half of 2007 in terms of sales were the muscular skeletal drug Thiospa (thiocolchicoside), the erectile dysfunction drug Vigrande (sildenafil citrate), antidiabetic drug Piogtan (pioglitazone) and anti-infective drug Sefuroks (cefuroxime axetyl).

During the second half of 2007, considerable progress has been made in developing the new Eczacıbaşı-Zentiva organization and we are very confident that we are creating a platform which will contribute significantly to our future success.

At the end of 2007 the Eczacıbaşı-Zentiva commercial team headcount stood at 586, following a program designed to enhance the efficiency of its sales and marketing organization.

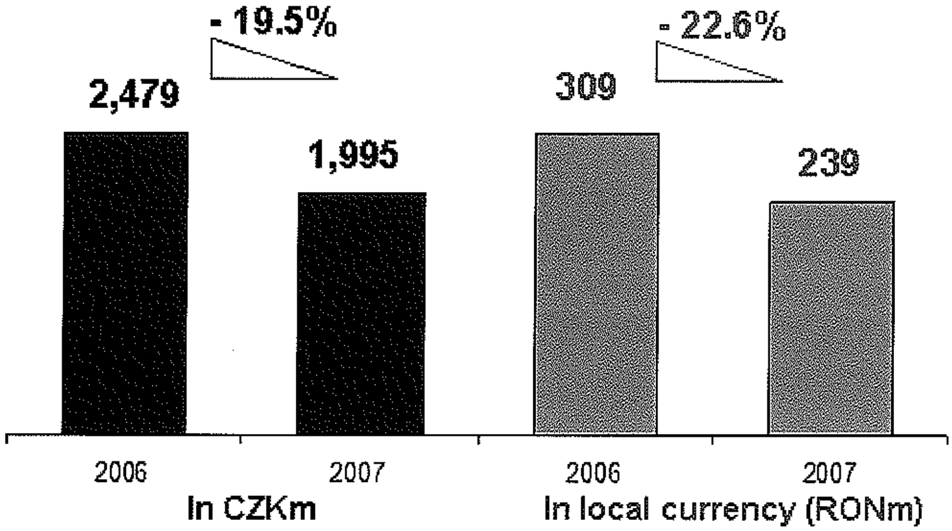
The female drug Gynelle (ethinyl estradiole and cyproterone acetate) was launched and Eczacıbaşı-Zentiva received 4 new marketing authorizations in Turkey in the second half of 2007.

The Romanian market

The Romanian market in 2007	
Population [1]	21.8m
Pharmaceutical market size [2]	USD2.03bn
Pharmaceutical market performance (in local currency)	35.4%

Source: [1] EIU, [2] IMS (Retail Market), 12 Months to December 31, 2007

Zentiva remained the number one generics company in Romania in 2007. The company is the largest company in the market by volume with a 16% share. It is the sixth largest pharmaceutical company overall, in terms of sales by value with 5.7% of the market. Amongst the other leading pharmaceutical companies operating in Romania are GSK, the market leader by value, Roche, Novartis, GSK, Servier, Pfizer and Sanofi-Aventis[1].



(in CZKm)	2006	2007	% change
Total sales	2,478.7	1,994.9	(19.5%)
Promoted product sales	1,413.6	1,143.1	(19.1%)
Commercial Staff	228	195	(14.5%)

In Romania, Zentiva's sales declined by 19.5% to CZK 1,994.9 million in 2007. This sales decline was due to the Company's decision to balance sales growth with improved cash generation. This initiative which took place in the second half of the year was to reduce the Company's exposure to potential provisions for bad debts. This goal has been achieved by managing in-market stock levels in the distribution system and invoice collection. While this initiative negatively impacted 2007 sales, it has enabled the Company to put its Romanian business on a much healthier footing with reduced in-market stocks and reduced reduced receivables. Improved collections in the fourth quarter allowed us to write back some of the provisions for doubtful debts. The current situation puts us in a much better position to deliver higher revenues in 2008.

The business environment in Romania was also influenced during the second half of 2007 by Government announcements relating to changes to pricing including changes to distributor and pharmacy margins.

In the full year 2007, Zentiva sales in local currency terms fell by 22.6% and international brands accounted for CZK 560.2 million, or 28.1% of Zentiva's sales in Romania.

Promoted brands accounted for 57.3% of Romanian sales in 2007, this compares with 57.0% in 2006. Amongst Zentiva's top international promoted brands that have done well in Romania are the lipid lowering drug Simvacard (simvastatin) and the anti-ulcer drug Helicid (omeprazole). The recently introduced cardiovascular drug Zenra (ramipril) and Helicid are the fastest growing products in Romania.

The largest contributors to sales amongst the company's established local brands, most of which are CHC products, were Algocalmin (metamizole), the analgesic Antinevralgic P (paracetamol, codeine and acetylosalicylic acid), Ser Fiziologic (injectable), and Dicarbocalm (antiacid).

The Romanian commercial team headcount declined by 14.5% to 195 at the end of 2007 vs. 228 at the end of 2006. This reduction in the Company's commercial headcount is the result of the drive to improve the efficiency of Zentiva's sales and marketing activities.

[1] IMS (Retail Market), 12 Months to December 31, 2007

Zentiva launched 5 new products in Romania during 2007; these included the cardiovascular drugs Lindaxa (sibutramine) and Amyx (glimepiride), the oral contraceptive Chloe (ethinyl estradiole and cyproterone acetate); Ladybon (tibolone), a HRT product for women, and the cardiovascular drug Zenra (ramipril).

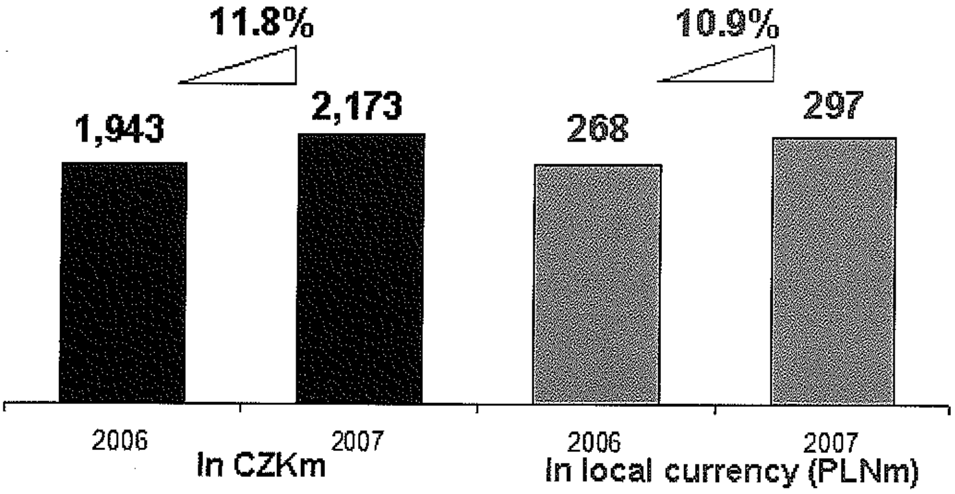
Zentiva received 6 new marketing authorizations in Romania in 2007.

The Polish market

The Polish market in 2007	
Population [1]	38.2m
Pharmaceutical market size [2]	USD5.10bn
Pharmaceutical market performance (in local currency)	8.4%

Source: [1] EIU, [2] IMS (Retail Market), 12 Months to December 31, 2007

In 2007, Zentiva continued to enhance its position in the Polish retail pharmaceutical market against the background of a more difficult operating environment. During the year Zentiva was one of the fastest growing companies amongst the top pharmaceutical companies in 2007. The company has only a small position in the CHC market having entered this business in Poland in 2006. In 2007, Zentiva achieved approximately 2.0% of the Polish market by value making it the 14th largest company. The leading pharmaceutical companies in Poland are Polpharma, GSK, Sanofi-Aventis, Servier and Sandoz (part of Novartis)[1].



(in CZKm)	2006	2007	% change
Total sales	1,943.0	2,172.6	11..8%
Promoted product sales	1,839.3	2,018.8	9.8%
Commercial Staff	501	467	(6.8%)

Zentiva delivered a solid sales performance in Poland in 2007 with sales increasing by 11.8% to CZK 2,172.6 million. Growth in Poland has been driven by higher volumes, which have more than offset the pricing reductions which took place in the first quarter of 2007 as well as towards the end of the year.

[1] IMS (Retail Market), 12 Months to December 31, 2007

The new drug categorization introduced in Poland led to a reduction in reimbursement levels which impacted our promoted brands. As a result these accounted for 92.9% of sales in 2007 vs. 94.7% in 2006. In local currency terms Zentiva's sales increased by 10.9% in 2007. Zentiva's positive sales performance in 2007 was due to the continued success of the anti-ulcer drug Helicid (omeprazole), the lipid lowering drugs Simvacard (simvastatin) and Torvacard (atorvastatin), the urology products Penester (finasteride) and Zoxon (doxazosine) and the antibiotic Azitrox (azithromycin). The fastest growing prescription products in 2007 were Agen (amlodipine), the lipid lowering drug Torvacard (atorvastatin), the antihypertensives Atram (Carvedilol) and Lozap (losartan), as well as the painkiller Coxtral (nimesulide).

Zentiva launched 4 new products in the Polish market in 2007 including the cardiovascular drug Amyx (glimepiride), the anti-migraine drug Cinie (sumatriptan) and the CNS drugs Neurol SR (alprazolam) and Citalec (citalopram).

Zentiva received 11 new marketing authorizations in Poland in 2007.

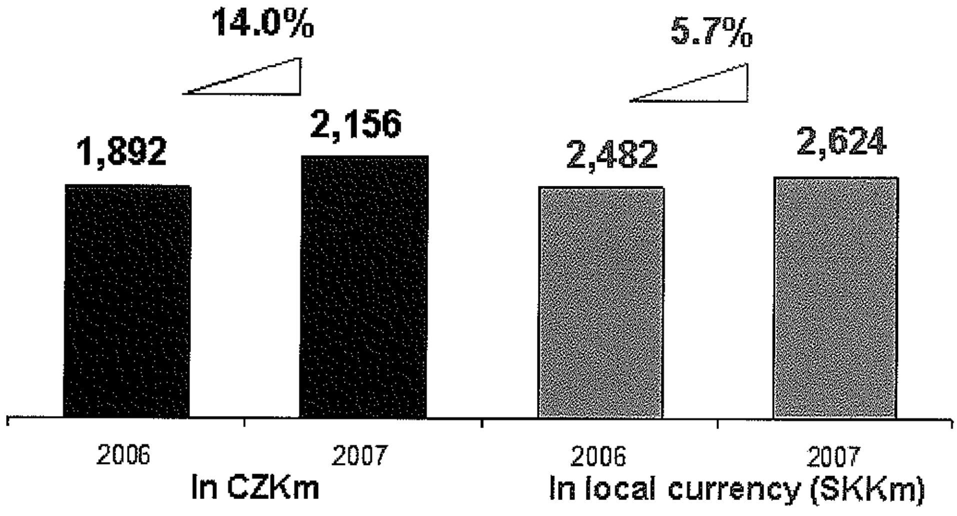
The Slovak market

The Slovak market in 2007	
Population [1]	5.4m
Pharmaceutical market size [2]	USD1.02bn
Pharmaceutical market performance (in local currency)	13.2%

Source: [1] EIU, [2] IMS (Retail Market), 12 Months to December 31, 2007

In 2007, Zentiva remained the leading supplier of prescription and CHC medicines in this country, a position it has held for many years. The Company's leadership in the prescription pharmaceutical market is based on its strong position in the primary care market and in particular the cardiovascular, CNS and alimentary therapeutic categories.

Zentiva had approximately 28% of the overall market for pharmaceutical products in Slovakia in 2007, by volume. In value terms the Company has about 9% of the market. Zentiva's leading position in the Slovak market is the result of its dominant share of the branded generics market. Other important companies operating in the Slovakian pharmaceutical market include Novartis, Sanofi-Aventis, Roche and GSK[1].



[1] IMS (Retail Market), 12 Months to December 31, 2007

(in CZKm)	2006	2007	change
Total sales	1,891.6	2,156.2	14.0%
Promoted product sales	1,068.2	1,216.9	13.9%
Commercial Staff	120	117	(2.5%)

In Slovakia, Zentiva's positive sales performance was driven by volume growth and the strength of the local currency against the Czech crown in 2007. Over the period, Zentiva's sales increased by 14.0% to CZK 2,156.2 million. In local currency terms, Slovakian sales in 2007 increased by 5.7%.

This has been achieved by focusing on our promoted brands. Promoted brands accounted for 56.4% of Zentiva's Slovakian sales in 2007 vs. 56.5% in 2006.

The modern branded prescription drugs that made the most important contribution to the Company's sales in Slovakia were the lipid lowering drug Torvacard (atorvastatin) and the cardiovascular drug Agen (amlodipine), which are both now amongst Zentiva's top products in the Slovak market. The anti-ulcer drug Helicid (omeprazole), the respiratory drug Zodac (cetirizine), the pain killer Tralgit (tramadol) as well as the anti-hypertensive Lozap (losartan) also made important sales contributions.

The CHC products Ibalgin (ibuprofen), Paralen (paracetamol) and Anopyrin (acidum acetylsalicicum) also saw higher sales.

The Slovak commercial team headcount stood at 117 at the end of 2007 vs. 120 at the end of 2006.

Zentiva launched 7 new products in the Slovak market in 2007, the oral contraceptive Chloe (ethinyl estradiole and cyproterone acetate), the cardiovascular drugs Langerin (metformin) and Amyx (glimepiride), the anti-migraine drug Cinie (sumatriptan) and the CNS drug Neurol SR (alprazolam), the HRT product for women Ladybon (tibolone) as well as female drug Risendros (risendronate).

Zentiva received 4 new marketing authorizations in Slovakia in 2007.

The Russian market

The Russian market in 2007	
Population [1]	144.2m
Pharmaceutical market size [2]	USD 6.44bn
Pharmaceutical market performance (in local currency)	20.8%

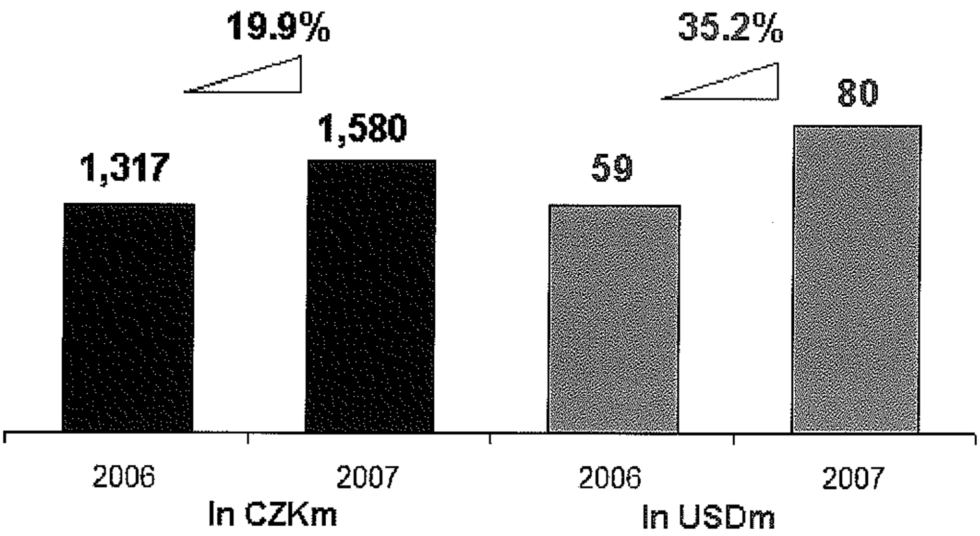
Source: [1] EIU, [2] RMBC (Retail market), 12 Months to December 31, 2007

Zentiva's sixth largest market is the Russian region. In the last two years, Zentiva has considerably strengthened its position in the Russian market due to the successful introduction of a number of its key promoted brands. Zentiva ranked amongst the top 30 pharma companies in Russia in 2007 in terms of the sales value[1]. It has a very strong market position in certain therapeutic categories being the volume and value leader in the treatment of BPH (benign prostatic hypertrophy), hypolipidemia, with its lipid lowering "sartans", as well as nasal decongestants and antimycotics.

The Company also has a very signifi cant CHC business in Russia given the importance of this market segment, which was established before the introduction of the new government funded reimbursement system (DLO) in 2005.

In 2007, the Russian retail market was estimated to be worth USD 6.4bn. The leading companies operating in the Russian Pharmaceutical market are Novartis, Sanofi - Aventis, Servier/Egis, Pharmstandard, and Berlin Chemie/ Menarini[1].

[1] Source: RMBC (Retail market), 12 Months to December 31, 2007



(in CZKm)	2006	2007	change
Total sales	1,316.8	1,579.5	19.9%
Promoted product sales	1,023.2	1,352.1	32.1%
Commercial Staff	226	295	30.5%

In Russia, Zentiva had another very positive year growing its business signifi cantly. Total sales of pharmaceutical products increased by 19.9% to CZK 1,579.5 million. This was driven by further growth in the "private" segment, offsetting declining sales from the Government reimbursement (DLO) system.

In 2007 sales to the DLO represented only 10.2% of sales vs. 32.7% in 2006. However, the shrinking share of sales to the DLO was more than offset by our strong performance in the "private" market where our sales grew by 60.6% yoy. In USD terms, Zentiva's Russian sales grew by 35.2% in 2007.

Zentiva's "in market" sales performance made it the fastest growing company of the top 50 pharmaceutical companies in value terms[1]. This growth is based on the success of the company's its key promoted brands. Promoted brands currently contributed 85.6% of pharmaceutical sales in Russia in 2007, up from 77.7% in 2006.

The most significant contributors to Zentiva's sales in 2007 were the anti-hypertensive drug Lozap (losartan), the lipid lowering drug Torvacard (atorvastatin), and the urology drug Zoxon (doxazosine), which is used to treat benign prostatic hypertrophy. These drugs rank Zentiva as a leader in their respective therapeutic areas. An important contribution to sales was also made by the recently introduced anti-hypertensive drug, Coronal (bisoprolol).

Within the CHC segment the nasal decongestant Pinosol and the antimycotics Mycomax (fluconazole) and Mykoseptin (Undecylenic acid) were important contributors to Zentiva's increased sales.

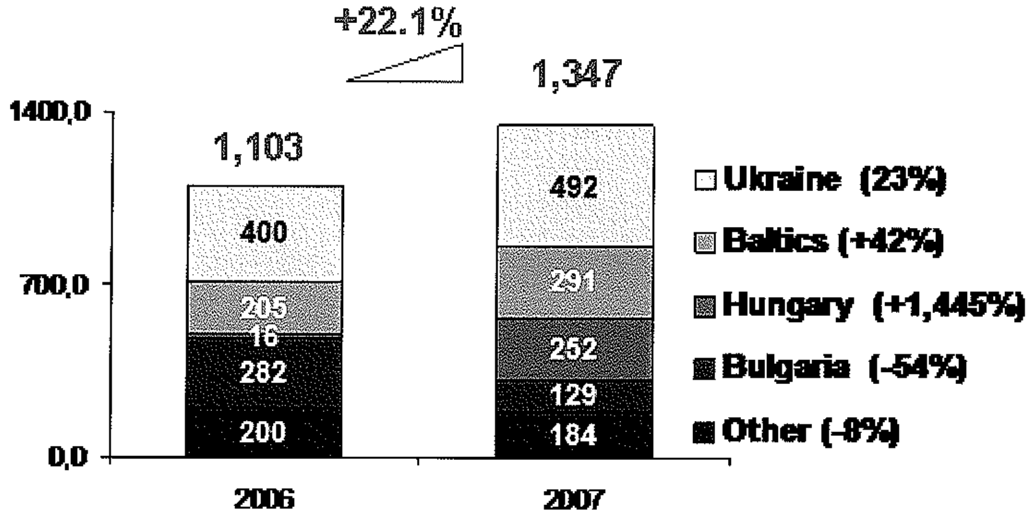
Zentiva's Russian commercial team headcount was 295 at the end of 2007 vs. 226 at the same time last year as we continued to invest in what we see as a key long term growth market for the Company.

Zentiva launched 1 new product, the cardiovascular drug Lindaxa (sibutramine) and received 5 new marketing authorizations in Russia in 2007.

[1] Source: RMBC (Retail market), 12 Months to December 31, 2007

Other markets

In addition to its six core markets, Zentiva has been rapidly developing its business in a number of other important countries in Central and Eastern Europe.



(in CZKm)	2006	2007	% change
Ukraine	399.8	492.4	23.1%
Baltic states	205.3	290.8	41.7%
Hungary	16.3	251.9	1,444.7%
Bulgaria	282.3	128.8	(54.4%)
Other	199.6	183.5	(8.1%)
Total	1,103.3	1,347.4	22.1%

In aggregate sales in these markets grew 22.1% to CZK 1,347.4 million in 2007. They now generate 7.9% of total pharma sales. During 2007, growth was achieved in the Ukraine with sales up 23.1% to CZK 492.4 million, the Baltic States with sales up 41.7% to CZK 290.8 million and the other markets of the CIS, where sales grew by 43.8% to CZK 173.8 million. Our sales in Bulgaria declined by 54.4% to CZK 128.8 million in 2007 largely due to adjustments of in-market inventories.

Sales in Hungary, where we acquired certain products and assets as well as personnel from Sanofi -Aventis in March 2007, increased 1,444.7% to CZK 251.9 million, in 2007.

The growth in these markets along with the progress that has been made in Russia, Slovakia and Poland confirms Zentiva's business strategy of expanding into these newly emerging pharmaceutical markets in the region.

8. R&D AT ZENTIVA – INDUSTRY LEADING EXPERTISE

In 2007, Zentiva spending on R&D rose by 23.7% to CZK 687.9 million largely due to the impact of the Turkish acquisition. This represents 4.1% of net sales. At present there are 300 people employed in Zentiva's corporate R&D function.

Zentiva's corporate R&D function which is focused on the development and approval of new modern branded generic products is based in Prague (Czech Republic), in Hlohovec (Slovakia) and since July 2007 also in Lüleburgaz and Çerkezköy (Turkey). The ability of these sites to work as a unified organization has clearly contributed to the successful development of Zentiva's business via the high quality commercially successful products that they have been able to bring to market.

In addition to its very commercial team-based approach to R&D, Zentiva's ability to continue to introduce exciting new modern branded generic products is the result of the company's investment in state of the art equipment and facilities. These include formulation and pilot production facilities, and analytical laboratories, which allows it to work on a range of dosage forms.

A further key strength is Zentiva's highly motivated regulatory department which has strong relationships with the regulatory authorities in the Company's core markets as well as robust processes for compilation and administration of regulatory dossiers.

Over the last several years it is clear that Zentiva has developed one of the strongest R&D departments in the generics industry in Europe. It has already established an excellent track record of rapidly delivering new prescription branded generics, as well as new formulations of the Company's leading CHC products to the market.

It has also been working hard to ensure that it is operating efficiently as possible and this has been helped by the use of a new computer software package called RIS, Research Information System. This system allows the R&D team to carefully monitor costs and the resources associated with individual development projects and to plan resources for the future based on previous experience.

In addition to Zentiva's corporate R&D function, the Company has a second R&D function which is focused on development and pilot production of API (active pharmaceutical ingredients).

In Turkey, Zentiva has, as a result of the acquisition of Eczacıbaşı Generic Pharmaceuticals, gained a further R&D capability. As in the existing Zentiva organization, the R&D function in Turkey is split with one team focusing on gaining product approvals for novel branded generic medicines while the other works to improve the synthesis and economics of the generic molecules themselves. In total about 70 people are employed in R&D in Turkey. In addition to its activities in small molecules, the Turkish organization brings to Zentiva expertise in fermentation products and in particular antibiotics.

At present Zentiva is working to bring the two organizations closer together so that its product development activities can be streamlined to ensure there is no duplication of effort in terms of the combined new product pipeline. As a result of these activities the Company took an impairment charge of CZK 216.1 million in the final quarter of 2007. This was due to Zentiva Group's decision to stop certain development projects in Turkey. These projects have been replaced with Zentiva's own brands, which have the same or similar active substance and which have already been launched in other territories.

Branded generics – gaining approval

The approval process which Zentiva needs to complete to gain marketing approval for its branded prescription generic products has many elements which are in common with the process undertaken by international research based pharmaceutical companies for their products.

However there are two important steps which are different in terms of the development work needed to gain marketing approval for a generic product, these are:

- Companies such as Zentiva do not need to carry out either pre-clinical or clinical studies for their branded generic products as they are able to use data that has already been generated by the originator company. These data formed part of the regulatory approval package for the novel medicine when it first reached the market.

- Companies such as Zentiva have to undertake studies which clearly show that their new branded generic product is bioequivalent to the original, already marketed product, i.e. the generic formulation of the drug delivers the same amount of active ingredient to the body and as a result is expected to produce the same clinical benefit and level of side effects. Based on proving the bioequivalence of its product, Zentiva is then able to use the pre-clinical and clinical data generated by the company that originally developed and marketed the drug in question, in order to gain approval.

In 2007, Zentiva started to take advantage of the Decentralised procedure (DCP) for new generic applications for mutual registration within the EU. The decentralized procedure is set to replace the previous MRP (Mutual Recognition Procedure).

The key benefit of DCP is that companies such as Zentiva do not need to wait for an approval in one country before they can submit their regulatory dossiers for approval in the other countries in which they plan to market the drug. Under the decentralized procedure, the documents submitted by Zentiva are assessed in parallel by all of the EU countries where the Company wants to launch its products. This procedure significantly shortens the time needed to gain product approvals in countries across the EU allowing companies such as Zentiva to start marketing its new modern branded generic products much earlier and in all of the markets it is targeting at the same time.

During 2007, Zentiva strengthened its international regulatory network by establishing a new International regulatory center in Turkey. This center will enable Zentiva to gain more rapid approval for its modern branded generic products in a number of non EU markets, especially Turkey and the countries of the CIS.

The current Zentiva pipeline

Zentiva's strategy of growing its business via its own self developed promoted brands means that new product development is a key factor in the Company's success.

In recent years, Zentiva has been investing in its Research and Development capability in order to provide the new branded products needed to support its growth ambitions.

Given Zentiva's primary care focus, its product pipeline is centered on the therapeutic areas which are mainly treated by primary care physicians.

The Company received 34 new marketing authorizations including 11 via MRP (mutual recognition procedure) in 2007 in Zentiva's five core markets (CZ, RO, PL, SK, RU). These include registrations of new products and line extensions of existing products. In all of the markets[1] in which Zentiva operates the Company received a total of 104 new marketing authorizations in 2007, of which 36 were via MRP (Mutual Recognition Procedure). Eczacıbaşı-Zentiva received 4 new marketing authorizations in the second half of 2007.

The company submitted a total of 63 marketing authorization applications during 2007 in Zentiva's five core markets, 22 of which were via MRP and 24 via DCP (Decentralized Procedure). Across all of the markets[1] in which it operates Zentiva submitted 175 marketing authorization applications during 2007 of which 49 were MRP applications and 40 DCP applications. In the second half of 2007 Eczacıbaşı-Zentiva submitted 3 new marketing authorizations.

As of December 31, 2007 the Company had a total of 83 marketing authorization applications pending in its five core markets for the sale of pharmaceutical products. This figure includes the registration of new products, the registration of existing products in new territories, and line extensions on existing products. 22 of these pending applications were made using MRP and 24 using DCP. Across all of the markets[1] in which it operates Zentiva had

[1] Excluding Eczacıbaşı-Zentiva

197 marketing authorization applications pending at the end of 2007, of which 57 were via MRP and 44 via DCP. At the end of 2007 Eczacıbaşı-Zentiva had 74 marketing authorization applications pending.

9. ZENTIVA – HIGHLY COMPETITIVE SUPPLY CHAIN

Zentiva's ability to manage and grow its supply chain so that it is able to deliver to the market high quality products at low cost is one of the key factors underpinning the Company's success. Competitively priced, it is impossible to overstate the importance of cost competitiveness if Zentiva is to continue to build its regional business against a background of constant pressure on prices from both governments and its competitors.

Multi-pronged approach to low cost production

Zentiva's business culture is built on a constant focus on developing highly efficient operating processes. This culture is central to the management of the Company's supply chain.

Zentiva's supply chain is built around a number of key components that are subject to continuous review and improvement, these include:

- **Procurement.** Zentiva has an aggressive policy of seeking out the lowest cost suppliers of the raw materials that it needs to produce its branded generic products. Zentiva now enjoys much greater purchasing power given its very rapid development in recent years, which has enabled it to negotiate lower prices from its raw material suppliers. Zentiva is now one of the largest volume manufacturers of pharmaceuticals in Europe, providing the Company with signifi cant economies of scale. The acquisition of Eczacıbaşı Generic Pharmaceuticals with its signifi cant production capacity in Turkey, will provide further benefi ts in terms of the Company's purchasing power.

- **API Production and Sourcing.** As Zentiva's portfolio of modern branded generics has grown so has the Company's need for the appropriate APIs. In 2007, the Company produced more than 20% of API requirements internally. This represented 30% in final value of its total API requirements. This internal sourcing is an important contributor to Zentiva's profitability given the much lower costs associated with internally sourced APIs. Zentiva is continually investing in the research needed to extend its API production skills while at the same time selecting products to add to its branded generics portfolio which it has the ability to supply in-house.

These two strategies are designed to increase the Company's use of internally sourced APIs. In addition, to producing more of its API requirement internally Zentiva has been more aggressive in the sourcing of the APIs that it does not manufacture. This has involved ensuring as far as possible that it has two suppliers for each important API and signing longer term supply contracts with these parties in order to achieve the lowest prices possible.

- **Manufacturing.** The state of the art GMP facilities that Zentiva operates in Prague (CZ), Hlohovec (SK), Bucharest (RO) and Lüleburgaz (TR) enables the Company to supply high quality products to all of its markets. Zentiva's production facility in Bucharest has Romanian GMP approval and its entire production capacity is used to supply the local market.

Zentiva manufactures its products in a linear process with the production of each product being subject to strict quality and contamination controls. A key element of this contamination control is that each production line only manufactures one product at a specific dosage form at any point of time. Once all of the ingredients have been produced, the dosages of all of the components are measured and combined in order to produce the final dosage form needed by the market. Once the respective dosage forms have been produced, they are packed and quarantined and then tested to ensure that they meet the quality standards set out by the various regulatory authorities that Zentiva's products have to comply with.

Four sites – specialised production capabilities

In 2007, Zentiva produced a total of 464 million pharmaceutical packs, this represents a capacity utilization rate of close to 64%.

SECTION A – GENERAL OVERVIEW

Each of Zentiva's four production sites is focused on certain products and dosage forms:

- The Prague facility in the Czech Republic produces solid form products, semi solid form products, injections and liquids.
- The Hlohovec facility in Slovakia produces solid form products, effervescent tablets, liquids, soft gelatine capsules and ointments.
- The Bucharest facility in Romania produces solid dosage forms and injections.
- The Lüleburgaz facility in Turkey produces solid form products, semi solid form products and liquid form products.

Production investments in 2007

In 2007, Zentiva made investments in a number of important new production facilities and capacity. At the Prague facility Zentiva invested in a new warehouse and made improvements to its packaging line. At the Hlohovec facility, Zentiva transferred its production of Tramadol to Slovakia and built end units for emissions. Zentiva also invested in its packaging line at Hlohovec, restructuring its tablet packaging. At its Bucharest facility, Zentiva restructured the weighing rooms.

The following table sets forth current information relating to the Company's principal production facilities:

Location	Size of Site (square metres)	Description	Size of Production Facilities (square metres)	Size of Production Facilities (including stock) in square metres	Tenure/ Ownership
U Kabelovny 130 102 37 Prague 10 Czech Republic	136,020	6 production buildings 2 laboratory buildings 1 sewage disposal building 1 incinerator	37,391	59,438	Zentiva, a.s. (Czech republic)
API			2,834	3,721	
Branded pharmaceutical products			34,557	55,717	
Nitrianská 100 920 27 Hlohovec Slovakia	467,800	10 production buildings 2 laboratory buildings 1 sewage disposal building	74,738	124,482	Zentiva a.s. (Slovakia)
API			22,530	39,599	
Branded pharmaceutical products			52,208	84,883	
50 Theodor Pallady Blvd.032266 Bucharest Romania	76,980	3 production buildings 1 laboratory (included in Administration building) 1 sewage buffer tank	15,663	25,382	Zentiva S.A. (Romania)
Branded pharmaceutical products			15,663	25,382	
39780 Küçükkarıştıran Lüleburgaz / Kırklareli Turkey	338,014	3 production buildings 1 laboratory building (R&D and QA are also in this building) 1 sewage disposal building	43,805	52,807	Eczacıbaşı-Zentiva Saglik Ürünleri (Turkey)
Branded pharmaceutical products			43,805	52,807	
Organize Sanayi Bölgesi Fatih Cad. No:12 Çerkezköy / Tekirdağ 59500 Turkey	67,550	4 production buildings 1 laboratory building (included in Administration building)	10,269	12,166	Eczacıbaşı-Zentiva Kimyasal Ürünler (Turkey)
API			10,269	12,166	

10. PEOPLE – DELIVERING OUR AMBITIOUS GROWTH TARGETS

Zentiva continues to focus on its goal of becoming the leading pharmaceutical company in Central and Eastern Europe. Key to achieving this ambitious target is having talented people in the optimal organizational structure.

As a result Zentiva's human resources department has a key role to play in the Company's success by recruiting, retaining and developing the people that can deliver its primary care strategy across the region.

Zentiva is able to attract talented people due to the positive image as an employer that it has developed. In surveys Zentiva is regularly ranked as one of the best companies to work for. In a recent poll of the Company's employees they highlighted its loyalty, leadership, relationships and clear and consistent processes as important in shaping their positive view of their working environment. They were also appreciative of Zentiva's standard of care of employees and its employee benefits.

Once it has attracted these talented people, the Company works hard to create a positive environment for all its employees. Key to this is good internal communications and a culture, which is focused on supporting our employees in achieving their key career goals.

As in previous years, the Human Resources team has continued to work on a number of our key programs focused on generating international opportunities so that people can appreciate the true scope of Zentiva's business. Zentiva encourages its employees in developing leadership skills across the organization so that we have the talent to execute our growth strategy and creating the people who have the skills and drive to be members of our senior management in the future.

The pro-active approach to managing one of key resources its people has become even more important given the significant increase in the size of the organization in the last twelve months. At the end of 2007, we employed over 6,000 people a near 30% increase from December 2006.

Number of employees

	31.12.2006	31.12.2007	change
Total number of employees	4,678	6,050	29.3%
Of that Commercial Staff	1,708	2,327	36.2%

Integrating Eczacibaşi-Zentiva

A key contributor to the growth in the size of the Zentiva organization was the acquisition of Eczacıbaşı Generic Pharmaceuticals in July 2007 (now renamed Eczacıbaşı-Zentiva) in Turkey. As a result of this acquisition, 1,600 new employees joined the Zentiva Group and we have invested a great deal of energy in ensuring their smooth integration into the Company. Measures we have taken include:

- A focus on internal communications, ensuring that all of our new Turkish employees are aware of the overall scope of Zentiva's business, our reasons for entering the Turkish market and key business objectives.
- Ensuring that our human resource programs in areas such as training and development are also available in Turkey.

With Turkey set to become the Company's biggest individual market in 2008, it is vital that we invest in the talents of our workforce in this country.

Managing the next stage of our growth

Given the recent expansion of our Company, it was vital that Zentiva adjusted its management structure to ensure that this enlarged platform could deliver its ambitious growth targets.

Over the last several months, in consultation with McKinsey and the Board, a new senior management structure was developed. This new structure is designed to ensure that sufficient resources are available to focus on the key strategic challenges facing the Company and that we are able to generate the operational efficiencies available from our much enlarged business.

The new senior management structure which is being put in place has seen a significant reduction in the number of people reporting to Mr Jiří Michal, Zentiva's CEO. This change has been made so that Mr Michal can focus on the strategic development of the Company and spend time on some of the most important operational aspects of the Group.

In addition, to this important change the day to day management of Zentiva's business will now be overseen by Lars Ramneborn, VP Commercial, Petr Šulc, VP Finance and Administration and a new VP of Industrial Operations and Development. These three people will form a new management board, which in conjunction with the CEO, will be able to make the fast and fact based decisions needed to drive the Group forward.

By entrusting day to day management to these three key individuals, Zentiva expects to:

- Sharpen up its commercial operations by having one erson directly overseeing the Company's six core arkets. This will make it easier to share cross-market nowledge and best practices in these key countries,

- Improving the efficiency of its industrial processes by having one person responsible for making sure that the products that we need are available at the right cost. This new management structure will ensure much closer interaction between R&D, production and supply chain management.

- Achieve a closer integration of all of its finance and administration functions which are needed to support its enlarged business footprint.

In parallel with these changes to the structure of the senior management, Zentiva is continuing to look to strengthen its management across all levels of its business.

Human resources – a true business partner

In November 2007, Petr Pokorný became the Company's new Director of Human Resources. Under his leadership the HR department is developing a new HR strategy which is focused on it becoming a true business partner to the rest of this organization. This will focus on:

- Building a "one stop professional HR shop" aim is to standardise the key HR processes and internal customer approach, including its measurement, and to simplify the HR administrative processes.

- Putting in place consistent remuneration across the new enlarged Zentiva business, working on developing the organizational structure at all levels and improving the Company's HR controlling and reporting systems.

With this changed approach and these clear deliverables the HR department is expected to make an even greater contribution to Zentiva's development in 2008. In 2007, has continued to invest in its people. With our new Senior Management structure and new more businesscentric approach to our HR activities, we are confi dent that we now have the leadership and resources in place to take our organization through the next stages of its growth.

11. ZENTIVA – A COMMITED SOCIAL PARTNER

Zentiva's culture is heavily shaped by the Company's involvement in a range of social activities in the markets where it operates. Zentiva is always looking for opportunities for it to play a meaningful role as a responsible social partner, given that this is very much in keeping with its business aims of improving the quality of life of the people across the region.

CZECH REPUBLIC

In 2007, for the third year in a row, Zentiva was the main partner of the major Central European film festival Febiofest. Due to Zentiva's involvement, about 200,000 film fans were able to see about 300 movies in Prague and seven other towns. The movies shown at Febiofest are a mix of new films, some older movies as well as lowcost independent films which are an important regular feature of the festival.

The international musical festival, the Prague Autumn, is another major event which Zentiva sponsors. Zentiva has been one of the main sponsors of the festival since it started 17 years ago; in the festival's early years, the Company sponsorship was carried out under is original name Léčiva.

In 2007, Zentiva continued its support of the Czech Olympic Committee and the Czech Olympic Team. Zentiva has been their partner since 2004, as the Olympic Movement is based on the same principles as adopted by the Company: competitiveness, fair play and respect for rules. Zentiva, and is looking forward to continuing to support the team as they participate in the 2008 Olympics in Beijing, China.

For the third time, Zentiva was the main partner of the traditional rowing contest Primátorky Zentiva 2007 which is held annually in Prague.

SLOVAKIA

The Bratislava Music Festival is the most important international music festival in Slovakia. Given its long term interest and commitment to culture Zentiva was extremely pleased to have been a key partner of the festival yet again in 2007. The Company also took part in the preparation of the concerts in selected areas of Slovakia, as part of the Pontes International Music Festival.

Another prestigious project for Zentiva in Slovakia is its long-term cooperation with the Andrej Bagar Theater in Nitra. This theater is world renowned for staging many interesting innovative theatrical projects.

As an international company, Zentiva is proud to support major regional events which are held in Central Europe. One of these was the international film festival Febiofest, which the Company supported in Slovakia for the third year in 2007. The 2007 festival included 150 films, short films, documentary movies, experimental films and cartoons which were shown in Bratislava and another 7 towns.

Zentiva has a long-term cooperation with the Slovak Paralympic Committee, and since 2005, the Company has also cooperated with the Slovak Olympic Committee. The Company is also a partner of a number of charity-based activities, such as the Child Safety Line and League for Mental Health. Zentiva has also maintained long-term cooperation with the Slovak Humanity Council, through which it supports the Slovak Association of the Disabled as well as certain social service centers and orphanages.

ROMANIA

Culture was a major national theme for Romania in 2007 and for Zentiva Romania in particular. The Company was therefore proud to have contributed to the promotion of Romanian values all over the world, from its position as the official partner of the unique cultural event "Sibiu – European City of Culture".

After the final vote of the EU Council of the Ministers of Culture – Sibiu, a Romanian City, was designated European City of Culture (ECC) for 2007, alongside Luxembourg. The entire program consisted of over 300 cultural projects and almost 3,000 cultural events, which were attended by almost one million visitors.

In addition, in September 2007, Zentiva was once again at the heart of Romanian cultural life as it became the main sponsor of the George Enescu International Festival. This musical event, which was established in 1958 and has been a highlight of the Romanian cultural scene ever since. The 2007 George Enescu Festival – the eighteenth such event – was excellent considering the number of classical music concerts, the number of accompanying cultural events and the quality of the artists that were performing on the Festival's stages.

In addition to culture, Zentiva has been actively involved in many educational and charitable programs.

In sport Zentiva continued the partnership with the Casa Campionilor Foundation which started in 2006. This partnership is focused on helping young people achieve their ambitions in sport. The Company has also entered into another important partnership with Romanian Olympic Foundation.

TURKEY

In 2007, Zentiva's newly acquired Turkish business continued its partnership with the multiple championship winner Turkish women's volleyball team based in Instanbul. Apart from its leading position in the national league, the Istanbul team, now playing under the new brand of Eczacıbaşı-Zentiva, is a regular participant in the European Champions League.

12. BOARD OF DIRECTORS REPORT

Full year highlights

- Results include consolidation of our business in Turkey starting in the third quarter 2007[1].
- Total gross sales up 28.1% to CZK 19,066.5 million including a contribution of CZK 4,055.2 million from Eczacıbaşı-Zentiva.
- Total net sales up 19.0% to CZK 16,670.3 million from CZK 14,003.1 million in 2006. Eczacıbaşı-Zentiva contributed net sales of CZK 2,755.1 million.
- Pharmaceutical sales in 2007 increased by 23.3% to CZK 17,036.6 million. Prescription products rose 31.2% o CZK 13,929.9 million while Consumer Healthcare (CHC) sales fell by 3.1% to CZK 3,106.7 million.
- Zentiva's core pharmaceutical business achieved the following pharmaceutical sales performance in its key markets:
  – 6.8% decrease in Czech sales to CZK 4,740.3 million
  – 19.5% decrease in Romanian sales to CZK 1,994.9 million
  – 11.8% sales growth in Poland to CZK 2,172.6 million
  – 14.0% sales growth in Slovakia to CZK 2,156.2 million
  – 19.9% sales growth in Russia to CZK 1,579.5 million
  – Eczacıbaşı-Zentiva sales of CZK 3,045.9 million
  – 22.1% increase in sales in Other markets to CZK 1,347.4 million
- Gross profit margin was 58.7% in 2007 versus 64.7% for 2006, mainly due to the consolidation of Eczacıbaşı-Zentiva, which has a much lower gross margin. Gross margins excluding Eczacıbaşı-Zentiva were 63.7%. Gross margins excluding Eczacıbaşı-Zentiva in 2007 as a whole were depressed by CZK 55.4 million due to inventory provisions and write-offs in Romania. Gross profits increased by 8.1% to CZK 9,793.3 million for the full year period.
- EBIT margin of 13.0% in 2007 compared to 23.6% in 2006. This margin decline was due to lower gross margins as well as higher spending on sales and marketing and general and administration costs. The latter item included CZK 136.4 million due to a net allowance for doubtful debts relating to Romanian customers and an impairment of fi xed assets of CZK 226.8 million relating to discontinued product development at our Turkish acquisition and some other assets. The EBIT margin in 2007 excluding the consolidation of Eczacıbaşı-Zentiva was 17.5%.
- Profit for 2007 attributable to equity holders of the parent, decreased by 35.9% to CZK 1,412.4 million representing an 8.5% margin. This decline was due to the lower EBIT, as well as higher interest costs related to the debt finance used to fund the acquisition in Turkey. This represents diluted EPS of CZK 37.03 or USD 1.82. The margin excluding Eczacıbaşı-Zentiva was 11.5%.

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[1] Zentiva N.V. acquired 75% of the issued share capital of Eczacibasi Generic Pharmaceuticals, a major domestic pharmaceutical supplier in Turkey, from EIS Eczacibasi Ilac Sanayi ve Ticaret A.S. a company listed on the Istanbul Stock Exchange on July 2, 2007. At the same time, the seller (Eczacibasi Group) and Zentiva N.V. entered into put/call option agreement that obliges/entitles Zentiva N.V. to purchase the remaining 25% of Eczacibasi Generic Pharmaceuticals. The management views this agreement as a deferred payment of the minority stake. Initial accounting for the Turkish acquisition is determined only provisionally as of December 31, 2007.

Section A – General overview

Key Figures

(in CZKm)	2006	2007	*change*
Gross sales	14,881.2	19,066.5	*28.1%*
Net sales	14,003.1	16,670.3	*19.0%*
Gross profit	9,062.6	9,793.3	*8.1%*
EBITDA [1]	4,172.8	3,545.8	*(15.0%)*
EBIT [2]	3,303.1	2,169.6	*(34.3%)*
PBT	3,089.3	1,971.7	*(36.2%)*
Profit for the period	2,289.3	1,456.2	*(36.4%)*
Attributable to:			
Equity holders of the parent	2,203.2	1,412.4	*(35.9%)*
Minority interest	86.1	43.8	*(49.1%)*
EPS Basic(CZK) [3]	57.88	37.18	
EPS Diluted (CZK) [4]	57.81	37.03	
EPS Diluted (USD) [5]	2.56	1.82	
Gross margin	64.7%	58.7%	
EBIT margin	23.6%	13.0%	
Net profit [(6)] margin	15.7%	8.5%	

[1] EBITDA – Earnings Before Interest, Taxes, Depreciation, Amortization and Impairment charged
[2] EBIT – Profit before Tax and Finance costs
[3] Basic EPS for profit for the year attributable to ordinary equity holders of the parent is calculated by dividing Net profit for the period attributable to Equity holders of the parent (after deducting preference dividends) by the weighted average number of ordinary shares outstanding during the period (adjusted for share split in 2004 and 2003 and after deducting treasury shares).
[4] Diluted EPS for profit for the year attributable to ordinary equity holders of the parent is calculated by dividing Net profit for the period attributable to Equity holders of the parent (after deducting preference dividends) by the weighted average number of ordinary shares outstanding during the period which are adjusted for effect of dilutive potential shares (adjusted for share split in 2004 and 2003 and after deducting treasury shares).
[5] For convenience the EPS figures have been translated into USD using the average exchange rate for FY2006 and FY2007 of 22.609 and 20.308 CZK/USD respectively
[6] Profit for the period attributable to Equity holders of the parent

Sales

(in CZKm)	2006	2007	change
Gross sales	14,881.2	19,066.5	28.1%
Net sales	14,003.1	16,670.3	19.0%
Commercial staff (as at December 31)	1,708	2,327	36.2%

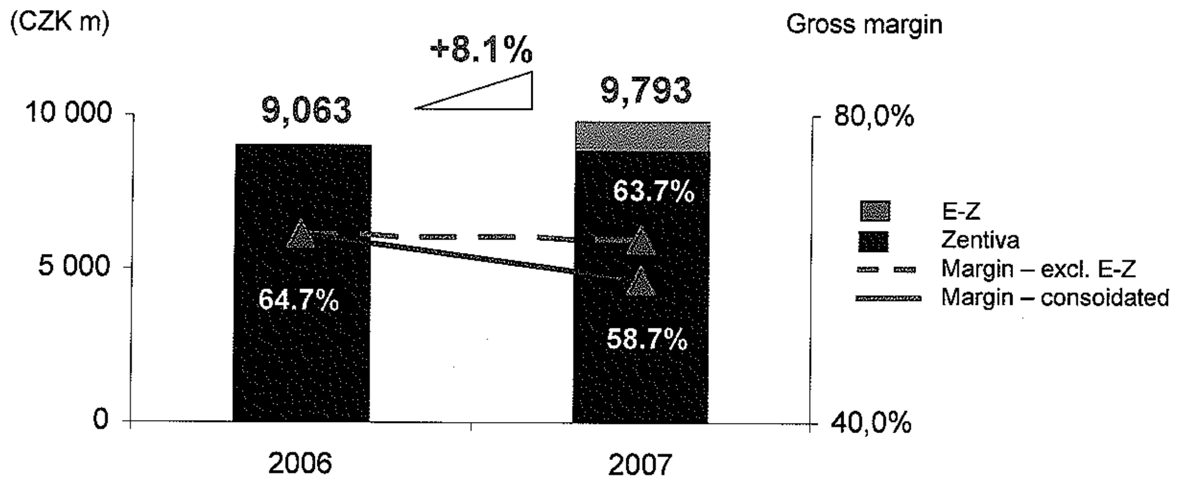
In 2007, Zentiva's net sales increased by 19.0% to CZK 16,670.3 million from the CZK 14,003.1 million achieved in 2006. The key factor behind the growth in sales was the first time consolidation of the Company's recent Turkish acquisition which contributed net sales of CZK 2,755.1 million. Higher sales were also achieved in Russia, Slovakia and Poland as well as a number of the newer markets, which the company is targeting. These include the Ukraine, the other CIS and the Baltic States. Sales in the Czech Republic and Romania declined.

During 2007, our core business, pharmaceutical sales, increased by 23.3% to CZK 17,036.6 million. Our nonpharmaceutical business, comprising sales of APIs, contract manufacturing and other sales, increased by 91.5%

to CZK 2,029.9 million; CZK 1,009.3 million of this figure was due to Eczacıbaşı-Zentiva's sales of APIs, contract manufacturing and services.

Sales deductions increased by 172.9% to CZK 2,396.2 million in 2007 due to the Turkish acquisition and the company's changing geographic sales mix.

Gross profit



(in CZKm)	2006	2007	change
Gross profit	9,062.6	9,793.3	8.1%
Gross margin	64.7%	58.7%	

Zentiva's gross profit increased by 8.1% to CZK 9,793.3 million in 2007. The gross margin declined to 58.7% from 64.7% in 2006. The lower gross margin is mainly due to the first time consolidation of Eczacıbaşı-Zentiva[1], which has a much lower gross margin. Excluding Eczacıbaşı-Zentiva the gross profit was CZK 8,874.4 million and the gross margin was 63.7% in 2007. This difference in gross margin highlights the efficiency of the supply chain and the product portfolio management of the existing Zentiva business when compared to our recent acquisition in Turkey. The gross margin performance of our business excluding Turkey was even more impressive given that we had to face price pressures in both the Czech and Polish markets. The gross margin was also reduced by inventory write-off and provisions in Romania of CZK 55.4 million. In 2006, the gross margin was depressed by one-off costs of CZK 64.0 million relating to the acquisition of Sicomed in Romania.

Operating expenses

Sales & Marketing Expenses

(in CZKm)	2006	2007	change
Sales & marketing expenses	3,609.0	4,694.5	30.1%
As % of Sales	25.8%	28.2%	

The Company's sales and marketing expenses increased by 30.1% to CZK 4,694.5 million in 2007. This represents 28.2% of net sales. This higher level of expenditure is due to the first time consolidation of Eczacıbaşı-Zentiva and

[1] Impact from valuation of Eczacıbaşı-Zentiva inventory at the acquisition date to fair value in amount of CZK 104 million was charged to cost of goods sold.

increased spending mainly in Russia and Ukraine, as well as the start of the company's commercial operations in Hungary. This ratio of spending to sales was also higher due to the lower sales in Romania in the second half of 2007.

The number of employees in Zentiva's commercial organization increased to 2,327 at the end of 2007 this compares with 1,708 at the end of 2006. This increased figure includes 586 people in Eczacıbaşı-Zentiva's commercial unit. The other countries which have seen the biggest investment in sales and marketing in 2007 are Russia and some of the newer markets in which we are now operating. The number of employees in our commercial organization in the Czech Republic has been reduced over the course of 2007 from 246 at the end of 2006 to 207 at the end of 2007. This reduction was in response to the changing dynamics of the Czech market. In Romania the number of commercial staff had declined by 14.5% to 195 at the end of 2007.

During the course of the fourth quarter of 2007, Zentiva reduced the size of its commercial organization from 2,535 to 2,327 people as it sought to increase the efficiency of its sales and marketing efforts. The countries which saw the largest declines in commercial personnel in this period were Turkey, Romania and Poland.

Excluding Eczacıbaşı-Zentiva, the Company's sales and marketing expenses were CZK 4,101.2 million in 2007, a 13.6% increase over 2006.

Research & Development

(in CZKm)	2006	2007	change
Research & development expenses	556.0	687,9	23.7%
As % of Sales	4.0%	4.1%	

Zentiva's research and development expenses increased by 23.7% to CZK 687.9 million in 2007. This represents 4.1% of net sales. The growth in spending is due to the investment needed to generate the new branded products which are central to the Company's growth across the region.

Excluding Eczacıbaşı-Zentiva, research and development expenses were CZK 588.9 million in 2007, a 5.9% increase on 2006.

General & Administrative Expenses

(in CZKm)	2006	2007	change
General & administrative expenses	1,582.4	2,014.5	27.3%
As % of Sales	11.3%	12.1%	

The Company's general and administrative expenses in 2007 increased by 27.3% compared to the same period in 2006 to CZK 2,014.5 million. This increase was due to the consolidation of Eczacıbaşı-Zentiva, as well as an allowance for doubtful debts relating to Romanian customers of CZK 136.4 million. In 2006, there was a CZK 14.6 million one-off adjustment to a provision for receivables in Zentiva SA (Romania) and a gain of CZK 89.0 million due to the sale of land in Romania.

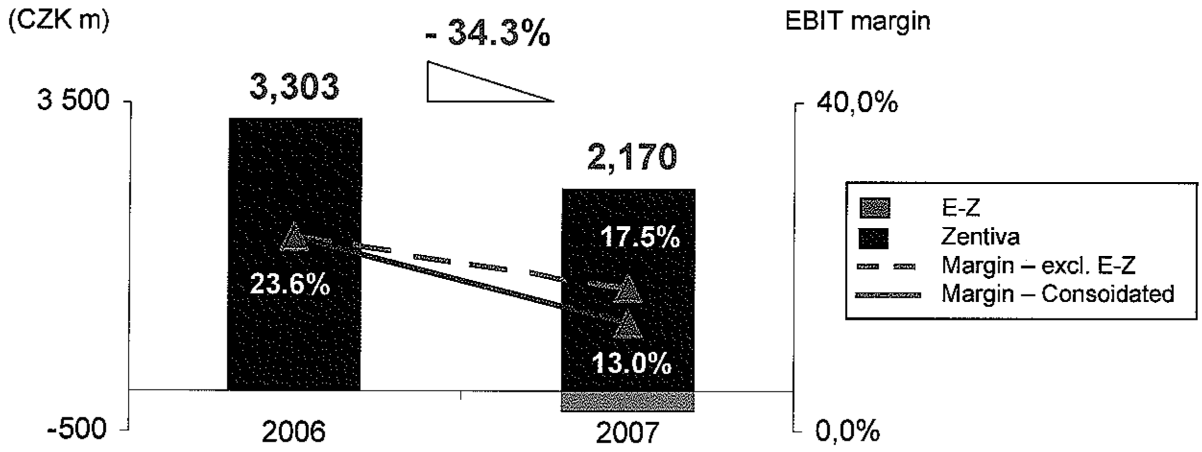
Excluding Eczacıbaşı-Zentiva, general and administrative expenses were CZK 1,735.7 million in 2007, a 9.7% increase on 2006.

Impairment of fixed assets

In 2007, the Company made a charge for the impairment of fi xed assets of CZK 226.8 million, CZK 216.1 million of this impairment charge was related to Eczacibaşi-Zentiva.

The intangible assets were acquired as part of Eczacıbaşı Generic Pharmaceuticals acquisition on July 2, 2007 and were reviewed for impairment as of December 31, 2007. Following this impairment test, an impairment loss of CZK 216,1 million was charged to the income statement together with relevant impact on deferred tax. The impairment loss was mainly caused by Zentiva Group's decision to abolish certain development projects or products and to replace them later with Zentiva own brands with the same or similar active substance already launched on other territories. The remaining part of impairment charge related to valuation of toll manufacturing and increased competition during second half of 2007. This 2007 figure for impairment compares with an impairment loss of CZK 12.2 million in 2006.

Profit before tax and finance costs (EBIT)



(in CZKm)	2006	2007	change
EBIT	3,303.1	2,169.6	(34.3%)
EBIT margin	23.6%	13.0%	

The Company's EBIT fell by 34.3% to CZK 2,169.6 million in 2007 compared to 2006. EBIT margin decreased to 13.0% from 23.6% in 2006. This is the result of the consolidation of Eczacıbaşı-Zentiva and the higher marketing and sales expenses, general and administrative costs and the impairment charge described earlier in this report.

Excluding Eczacıbaşı-Zentiva, EBIT was CZK 2,437.9 million in 2007 representing an EBIT margin of 17.5%.

Net interest and other financial results

(in CZKm)	2006	2007	change
Interest income	27.0	54.7	102.6%
Interest expense	(116.9)	(542.7)	364.5%
Other financial income/(expenses), net	(123.9)	290.1	334.2%
Net interest and other financial result	**(213.8)**	**(197.9)**	**(7.4%)**

In 2007, Zentiva had a net interest expense of CZK 488.1 million. This compares with a net interest expense in 2006 of CZK 89.9 million. This much higher net interest expense is due to the additional debt finance that Zentiva used to make its Turkish acquisition.

In 2007, Zentiva recorded other financial income of CZK 290.1 million versus other financial costs of CZK 123.9 million in 2006. The financial income that was recorded in 2007 was largely due to positive net foreign exchange translation effects of CZK 343.5 million, mainly driven by the strength of the CZK vs. EUR (part of the acquisition loan), the Slovak and Polish currencies and consolidation of Eczacıbaşı-Zentiva offset by the negative impact of the weakening USD. This compares to negative net foreign exchange effects of CZK 101.7 million in 2006.

Profit before tax

(in CZKm)	2006	2007	change
Profit before tax	3,089.3	1,971.7	(36.2%)
Profit before tax margin	22.1%	11.8%	

The Company's profit before tax of CZK 1,971.7 million in 2007 was 36.2% lower than the CZK 3,089.3 million achieved in 2006.

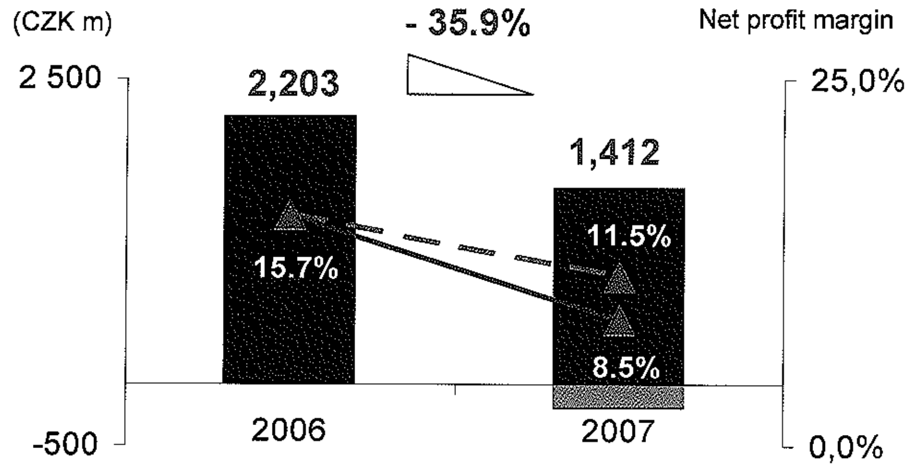
Excluding Eczacıbaşı-Zentiva, profit before tax was CZK 2,221.3 million in 2007.

Income tax expense

(in CZKm)	2006	2007	change
Income tax expense	800.0	515.5	(35.6%)
Effective tax rate	25.9%	26.1%	

The Company's tax charge decreased by 35.6% in 2007 to CZK 515.5 million from CZK 800.0 million in 2006. The effective tax rate was 26.1% versus 25.9% in 2006.

Net profit for the period attributable to equity holders of the parent (Net profit)



(in CZKm)	2006	2007	change
Net profit [1]	2,203.2	1,412.4	(35.9%)
Net profit margin	15.7%	8.5%	

[1] Net profit attributable to equity holders of the parent

The Company's net profit declined by 35.9% to CZK 1,412.4 million in 2007 from CZK 2,203.2 million in 2006. The margin decreased to 8.5% from 15.7% in 2006.

Excluding Eczacıbaşı-Zentiva, the company's net profit was CZK 1,609.2 million in 2007 representing a margin of 11.5%.

Statement of income – Consolidation of Eczacibaşi–Zentiva

Selected data (in CZKm)	Twelve Months to December 31, 2007	
	Excl. E-Z	Incl. E-Z
Gross Sales	15,035.0	19,066.5
Net sales	13,938.9	16,670.3
Gross Profit	8,874.4	9,793.3
EBITDA[1]	3,340.8	3,545.8
EBIT[2]	2,437.9	2,169.6
PBT	2,221.3	1,971.7
Net profit for the period	1,653.0	1,456.2
Attributable to:		
Equity holders of the parent	1,609.2	1,412.4
Minority interest	43.8	43.8
Gross margin	63.7%	58.7%
EBIT margin	17.5%	13.0%
Net income[3] margin	11.5%	8.5%

[1] EBITDA is defined as Earnings Before Interest, Taxes, Depreciation, Amortization and Impairment charged
[2] EBIT represents Profit before Tax and Finance Costs
[3] Net profit for the period attributable to Equity holders of the parent

Note: Eczacıbaşı-Zentiva results are included in the consolidated financial statements from the acquisition date (July 2, 2007). Initial accounting for the Turkish acquisition is determined only provisionally as of December 31, 2007.

The impact of the valuation of Eczacıbaşı-Zentiva's inventory at the acquisition date to fair value, an amount of CZK 104 million, was charged to cost of goods sold. The consolidated figures include the Turkish acquisition assuming that Zentiva N.V. acquired 100% of Eczacıbaşı-Zentiva while 75% was acquired on July 2, 2007 and the remaining 25% is covered by a put/call option as per the shareholder's agreement and is assumed as a deferred payment for 25% stake. In connection with this liability to minorities a CZK 116 million interest expense and a CZK 321 million foreign exchange gain were charged/credited to P&L. The valuation of compensation to be paid for this stake under the put/call option arrangements is based on the same budgeted figures as those which are used for the goodwill impairment test and intangibles impairment analysis.

Balance sheet

(in CZKm)	31.12.2006	31.12.2007	change
Cash and cash equivalents [1]	1,189.5	2,227.6	87.3%
Net debt	2,519.9	14,570.3	478.2%
Net debt / Equity	20.8%	121.8%	

[1] Cash and Cash equivalents and Cash restricted more than 3 months

Zentiva's balance sheet as at the end of December 2007 reflects the consolidation[1] of Eczacıbaşı-Zentiva, which was acquired on July 2, 2007.

At the end of December 2007, Zentiva's total debt was CZK 16,797.8 million and its net debt position was CZK 14,570.3 million compared to net debt of CZK 2,519.9 million at the end of 2006.

[1] Initial accounting for Turkish acquisition is determined only provisionally as of December 31, 2007.

The net debt to equity ratio at the end of 2007 stood at 121.8%. This much higher level of net debt in comparison to the end of 2006, was due to Zentiva entering into a EUR 550 million syndicated credit facility agreement in June 2007. The primary purpose of this credit facility was to finance the acquisition of 75% of Eczacıbaşı Generic Pharmaceuticals (now Eczacıbaşı-Zentiva). The facility agreement has also provided financing for the repayment of certain existing indebtedness of Zentiva and for general corporate purposes.

Balance sheet – Consolidation of Eczacibaşi–Zentiva

Selected Balance Sheet data (in CZKm)	December 31, 2007	
	Excl. E-Z	Incl. E-Z
Property, plant and equipment (net)	6,106.5	8,643.8
Intangible assets (net)	1,166.5	4,794.8
Investments	15,805.4	25.0
Goodwill	1,506.8	9,079.4
Non-current assets	**24,836.8**	**22,797.9**
Inventory	2,344.2	3,000.9
Accounts receivable (net)	5,548.8	7,081.7
Purchase price adjustment receivable	1,634.7	1,634.7
Current assets	**11,202.4**	**14,156.3**
Interest bearing loans and borrowings	13,145.1	13,145.1
Provisions and other LT liabilities	51.5	279.5
Financial liability to minorities	4,070.1	4,070.1
Deferred tax liabilities	239.3	724.7
Non-current liabilities	**17,509.3**	**18,222.6**
Accounts payable	1,233.4	2,152.8
Overdraft and short term notes	3,497.2	3,652.8
Current liabilities	**5,612.6**	**6,772.2**

Purchase price adjustment receivable

Purchase price adjustment receivable includes the agreed-upon post-closing adjustment to the acquisition price which amounted to EUR 58 million.

Cash flow

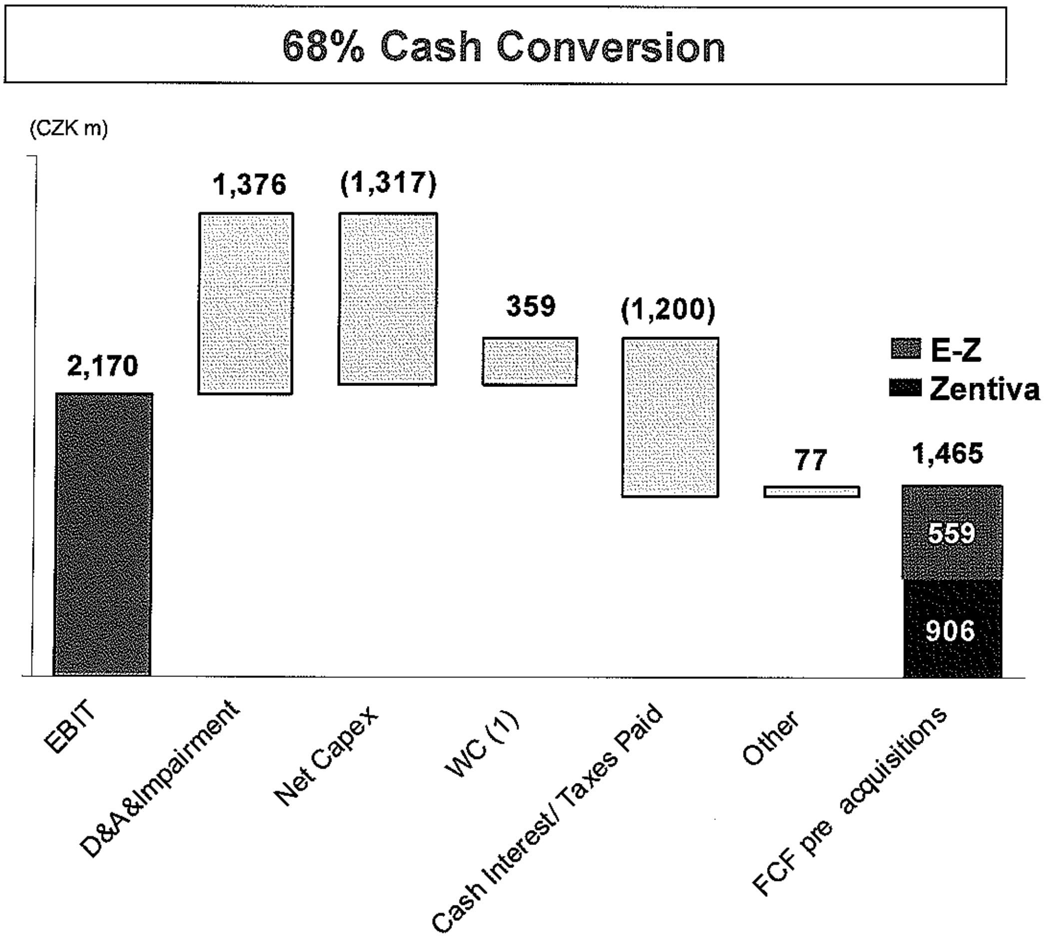
During the course of 2007, Zentiva's free cash flow before acquisitions gradually improved. In 2007 as a whole, it was CZK 1,464.5 million, representing 67.5% of EBIT vs. 41.0% cash conversion in the first nine months of 2007. This compares with (28.3%) cash conversion in the first half of this year.

Excluding Eczacıbaşı-Zentiva, the Company's free cash flow before acquisitions was CZK 905.7 million in 2007.

Capital expenditures

(in CZKm)	2006	2007	change
Capital expenditures	1,268.9	1,369.4	7.9%
As % of Sales	9.1%	8.2%	

The Company's capital expenditure in 2007 reached CZK 1,369.4 million, which includes incremental capital expenditures of CZK 222.3 million related to our market entry into Hungary via the purchase of certain products and operating assets from Sanofi -Aventis. The largest investments in 2007 were a warehouse in Prague, the transfer of a Tramadol production packaging line and the building of new emission trapping units in Hlohovec, as well as the reconstruction of the weighing rooms in Bucharest. Capital expenditure represents 8.2% of net sales vs. 9.1% in 2006.



13. OUTLOOK

In 2008 Zentiva expects to achieve (ex currency effects[1]):

- Full year net sales growth of around 20%, helped by the consolidation of our Turkish business for a full twelve months. Excluding Turkey, sales growth is expected to be around 5%.

- EBIT margin of above 15%, despite the lower margin contribution of our Turkish business on a full year basis.

Sales growth in 2008 is expected to be driven by Turkey, Russia and the Ukraine, aided by positive trends in Romania and stabilization in the Czech Republic in the second half of the year.

We have created a solid foundation for sustainable growth in Turkey based on the business integration which begun in 2007. We expect to gradually achieve greater efficiencies in this business due to a sharpened commercial focus, further new product launches and supply chain improvements.

Given our targets of higher sales and improving consolidated margins we are continuing to work on becoming more efficient not only in Turkey but across the rest of the Zentiva group. We intend to utilize our enhanced critical mass to generate further synergies throughout the organization by focusing not only on sales and marketing, but also on other key parts of our business such as R&D, supply chain, our administrative structure, all of which are expected to benefit from greater economies of scale.

In 2007, Zentiva has worked to adapt its corporate structure, further strengthen its management team and to sharpen its commercial and other activities. These actions combined with our primary care focused strategy, our significant market positions across the region, and our marketing track record should enable us to produce better results in 2008.

In the first six months of 2008, we expect to achieve Romanian sales growth in line with the market. However, this will be below the very strong sales numbers achieved in the first half year of 2007. Also, we expect a further decline in Czech sales in the first half 2008, due to the regulatory changes which led to the introduction of mandatory fees in January 2008.

These two markets will impact the overall sales performance in the first six months of 2008, however, we expect to see an improved performance in the second half of the year in both Romania and the Czech Republic. Despite the revenue pressure in the Czech and Romanian markets, we expect to achieve a H1 2008 EBIT margin in line with FY 2007.

[1] Any further appreciation of the CZK of 1% against all other currencies at the same time would have an impact of approx. CZK 160 mil. on top line, CZK 80 mil. on EBIT, and CZK 40 mil. on pre-tax earnings.

14. CORPORATE GOVERNANCE

Board of directors

The board of managing directors of Zentiva (the "Board") consists of the managing directors listed below. Pursuant to the Articles of Association, Directors A are executive managing directors, who are involved in the day-to-day management of the Company, while Directors B are nonexecutive managing directors, who are involved in a supervisory function rather than in the day-to-day management of the business affairs of the Company.

		Current term until [1]
Jiří Michal	Chairman, Director A	2008
Brad Wilson	Vice-Chairman, Director B	2008
Urs Kamber	Director B	2009
Jean-Michel Levy	Director B	2009
Lars Ramneborn	Director A	2008
Johannes Scholts	Director B	2008
Hanspeter Spek	Director B	2009
Petr Šulc	Director A	2008
Bülent Eczacıbaşı	Director B	2011

[1] This means the year which Zentiva expects will be the year of a new election for the Board seat of the respective managing director.

Business address of the Board members:
Fred. Roeskestraat 123 1 HG.
1076EE Amsterdam
The Netherlands

Directors A (Executive Directors)

Jiří Michal
Chairman of the Board and Chief Executive Officer

Mr. Michal, a Czech national was born on December 23, 1950 and was appointed to the Board on October 16, 1998. Mr. Michal has worked for the Company since graduating from university in 1974. During his time with the Company he has held the positions of Operational Director and Chief Financial Officer and was appointed Chief Executive Officer in 1993. Mr. Michal is also Chairman of the Board of Directors of Zentiva. He is also currently Vice President of the Chemical Industry Association in the Czech Republic. Mr. Michal studied Chemical Industrial Economics and Management at the University of Chemistry and Technology in the Czech Republic between 1969 and 1974.

Lars Ramneborn
Vice President, Commercial

Mr. Ramneborn, a Swedish national was born on March 27, 963 and is currently Vice President, Commercial at Zentiva with responsibility for the Company's pharmaceutical operations and commercial activities. He joined Zentiva in February 2003 and has almost 20 years experience in the pharmaceutical industry gained at AstraZeneca and Glaxo in Sweden and at AstraZeneca and IVAX in Central, Eastern Europe and Middle East. Mr. Ramneborn graduated from the University of Karlstad in Sweden with a degree in Management and Economics. Mr. Ramneborn was appointed to the Board on October 5, 2005.

Petr Šulc
Chief Financial Officer

Mr. Šulc, a Czech national was born on April 26, 1967 and joined the Company in 2001 as Chief Financial Officer. Prior to joining the Company, he was employed by AGA S/A, Brazil, as a financial analyst from 1995 to 1997. He then moved to AGA GAS s.r.o., in the Czech Republic as Chief Financial Officer and Managing Director. In 2000, he took up a position as regional financial controller for Western Europe with Linde Gas AG, Germany, where he stayed until joining Zentiva in 2001. Mr. Šulc graduated from the Prague School of Economics in the Czech Republic with a degree in Economics in 1990 and from Charles University in the Czech Republic in 1991 with a degree in Law. Mr. Šulc was appointed to the Board on March 31, 2004.

Directors B (Non-executive Directors)
Urs Kamber
Mr. Kamber, a Swiss national was born on March 7, 1952 and was appointed as a Non-executive Director of Zentiva on June 8, 2005. Mr. Kamber has a broad range of experience with major international companies. He was CFO of the Swiss medtech company Centerpulse, a world leading supplier of artificial hips and knees between 2001 and 2003. While in this position he oversaw and implemented a major turn-around in the company's business and was the main negotiator in the bidding process which resulted in Centerpulse being taken over by Zimmer. Prior to this assignment, Mr. Kamber worked for Swisscom, project managing the privatization of Czech Telecom and served as its CFO from 1995 through 2001. Mr. Kamber currently serves as Non-executive Director of the Board of Bulgarian Telecom in Sofia and as Non-executive Director of other companies in his capacity as CEO of Incentive Private Equity Holding AG in Zurich, Switzerland.

Jean-Michel Lévy
Mr. Lévy, a French national was born on October 18, 1947 and was appointed to the Board on April 27, 2006. Mr. Lévy is currently Senior Vice President for Business Development at Sanofi-Aventis. He has a degree in Business Administration from HEC in Paris. Since 1969, Mr. Lévy has worked in the pharmaceutical industry in a variety of positions (within the predecessor companies of Sanofi-Aventis). He has held his current position of Vice President Corporate Planning and Strategy since 1990 and in this role he is responsible for preparing the long term vision of Sanofi-Aventis, participating in the management of Alliances and working on significant business development opportunities for the group. During his career he has developed considerable expertise in the economic evaluation of business development opportunities, research and development projects, as well as, mergers and acquisitions. Mr. Lévy has been instrumental in the strategic growth of the Sanofi legacy companies and the creation of Sanofi-Aventis, the largest European pharmaceutical company and the third largest pharmaceutical company in the world.

Johannes Scholts
Mr. Scholts, a Dutch national was born on November 8, 1958 and was appointed as a supervisory board member of Léčiva CZ, a.s. in June 2003 and as a Non-executive Director of Zentiva on March 31, 2004. Mr. Scholts is currently employed by ATC Corporate Services (Netherlands) B.V. ("ATC"), which he joined in 1992. He was appointed managing director of ATC in 2001. He is also a Non-executive Director of a number of private companies in his capacity as Managing Director of ATC. Mr. Scholts became a chartered accountant in 1995.

Hanspeter Spek
Mr. Spek, a German national was born on November 5, 1949 and was appointed to the Board on April 27, 2006. Mr. Spek is currently Executive Vice President Pharmaceutical Operations at Sanofi-Aventis. Mr. Spek graduated from business school in Germany. In 1974, he completed a management training program at Pfizer International, and then joined Pfizer RFA as a junior product manager. He served in various positions at Pfizer RFA, including manager of the marketing division. Mr. Spek joined Sanofi Pharma GmbH, a German subsidiary of Sanofi, in 1985 as Marketing Director, and served in various positions in Germany and then at Sanofi in France, before being named Senior Vice President Europe following the merger with Synthélabo in 1999. He served as Executive Vice-President, International Operations from October 2000, until January 2003, when he took charge of the worldwide operations of Sanofi-Synthélabo. He was appointed to his present position of Executive Vice-President Pharmaceutical Operations of Sanofi-Aventis in August 2004.

Brad Wilson
Vice-Chairman of the Board

Mr. Wilson, a British national was born on November 20, 1947, was appointed as a Non-executive Director of Zentiva on May 26, 2004. Mr. Wilson has over 30 years' experience in the healthcare industry. He is currently Non-executive Chairman of PharmaKodex, a specialty pharmaceutical company. Immediatelly prior to this, he was Founder and Chief Executive Officer of OnMedica Group Ltd, a company providing e-Detailing and e-Communication opportunities for pharmaceutical companies in Europe. Between 1972 and 1996 Mr. Wilson worked for SmithKline Beecham Plc (SB) in roles of increasing importance in sales, marketing, strategy and general management. He was Senior Vice President of SB's Intercontinental Division between 1990 and 1993 and Chairman, Europe, of the company's pharmaceutical business from 1993 to 1996. In 1997, he joined Recordati SA, an Italian pharmaceutical company, where he was Chairman, International Operations, until leaving to found OnMedica Group Ltd in 2000. Mr. Wilson is Chairman of Project HOPE UK, a healthcare charity; he is a graduate of Oxford University.

Bülent Eczacıbaşı
Mr. Bülent Eczacıbaşı, a Turkish national was born on October 25, 1949 and was appointed as a Non-executive Director of Zentiva on July 1, 2007. Mr. Eczacıbaşı is the Chairman of Eczacıbaşı Holding, a prominent Turkish industrial group with investments in pharmaceuticals, personal care products, consumer products, building materials and financial services. Mr. Bülent Eczacıbaşı has held several posts at TÜSIAD, the Turkish Industrialist and Businessmen's Association, including the positions of the Chairman of the Board and Chairman of the High Advisory Council. Currently, he is TÜSIAD's Honorary Chairman and founding Chairman of the Turkish Economic and Social Studies Foundation (TESEV). Mr. Bülent Eczacıbaşı has also served on the boards of several non-profit institutions and on the international advisory boards of various global companies. He is presently Chairman of the Turkish Pharmaceuticals Manufacturers' Association and a member of the European Round Table of Industrialists. He graduated from the University of London (Imperial College of Science and Technology) and obtained his Master's degree in Chemical Engineering from the Massachusetts Institute of Technology. As the Chairman of Eczacıbaşı Holding, Mr. Eczacıbaşı is a board member of numerous companies associated with the Eczacıbaşı Group. These companies include, among others, EİS Eczacıbaşı İlac Sanayi ve Ticaret A.Ş., from which Zentiva purchased its 75% stake in Eczacıbaşı-Zentiva. It was in connection with this acquisition that Mr. Eczacıbaşı became a member of Zentiva board.

Board Procedures
The Board is responsible for the Company's system of corporate governance and is ultimately accountable for Zentiva's activities, strategy and financial performance. In 2007, the Board met nine times.

The Board has the authority, and is accountable to shareholders, for ensuring that the Company is appropriately managed and achieves the strategic objectives agreed by the Board. The Board discharges those responsibilities by supervising overall budgetary planning, treasury planning and business strategy. The Board reviews the Company's internal controls and risk management policies and approves its governance structure and code of ethics. The Board reviews and also approves major financing, investment and contractual decisions in excess of defined thresholds. In addition to these items, the Board evaluates and monitors the performance of the Company as a whole. This includes:

- Engaging at Board meetings with the Executive Directors and members of the Senior Management team as appropriate, on the financial and operating performance of Zentiva and external issues material to the Company's prospects.

- Evaluating progress towards the achievement of the Company's financial and business objectives and annual plans.

- Monitoring, through reports received directly or from various committees, the key significant risks facing the Company.

- The Board has overall responsibility for succession planning.

Executive management team

The Chief Executive Officer, who is at the top of Zentiva's executive management structure, is assisted by other members of the Executive Management Team. The members of the Executive Management Team and their respective responsibilities are listed below. During 2007, the Executive Management Team met sixteen times.

Jiří Michal
Chairman of the Board and Chief Executive Officer

Mr. Michal has worked for the Company since graduating from university in 1974. During his time with the Company he has held the positions of Operational Director and Chief Financial Officer and was appointed Chief Executive Officer in 1993. Mr. Michal is also Chairman of the Board of Directors of Zentiva. He is also currently Vice President of the Chemical Industry Association in the Czech Republic. Mr. Michal studied Chemical Industrial Economics and Management at the University of Chemistry and Technology in the Czech Republic between 1969 and 1974.

Petr Šulc
Chief Financial Officer

Mr. Šulc joined the Company in 2001 as Chief Financial Officer. He is on the Board of Directors of Zentiva. Prior to joining the Company, he was employed by AGA S/A, Brazil, as a financial analyst from 1995 to 1997. He then moved to AGA GAS s.r.o., in the Czech Republic as Chief Financial Officer and Managing Director. In 2000, he took up a position as regional financial controller for Western Europe with Linde Gas AG, Germany, where he stayed until joining Zentiva in 2001. Mr. Šulc graduated from the Prague School of Economics in the Czech Republic with a degree in Economics in 1990 and from Charles University in the Czech Republic in 1991 with a degree in Law.

Petr Suchý
Chief Operating Officer

Mr. Suchý, born on May 28, 1960, has worked for the Company since graduating from university in 1984. He currently holds the post of Chief Operating Officer and is on the Board of Directors of Zentiva, a.s. (Prague) and Zentiva, a.s. (Hlohovec). Mr. Suchý graduated from the University of Chemistry and Technology in the Czech Republic with a degree in Engineering.

Lars Ramneborn
Vice President, Commercial

Mr. Ramneborn is currently Vice President, Commercial at Zentiva with responsibility for the Company's pharmaceutical operations and commercial activities. He is on the Board of Directors of Zentiva. He joined Zentiva in February 2003 and has 20 years experience in the pharmaceutical industry gained at AstraZeneca and Glaxo in Sweden and at AstraZeneca and IVAX in Central and Eastern Europe and Middle East. Mr. Ramneborn graduated from the University of Karlstad in Sweden with a degree in Management and Economics.

Jan Šotola
Director, Research and Development

Mr. Jan Šotola, born on July 17, 1959, who took up the position of Research and Development Director in July 2005 graduated from the University of Chemistry and Technology in Prague. He has worked for the Czech Academy of Science as well as at the Max Planck Institute in Berlin. In 1994 he joined the predecessor of Zentiva, Léčiva a.s., and in his previous position within the Zentiva group he worked as Director of Chemical Research and Development. In parallel, he also held the office of Chairman of the Board of Directors of VÚFB, a.s., a subsidiary within Zentiva N.V. In addition to heading up Pharmaceutical Research and Development, he continues to lead the Chemical Research and Development unit.

Miroslav Janoušek
Director, Regulatory and Quality

Mr. Janoušek, born on June 27, 1964, has been employed by the Company for over 19 years and is currently a Director with responsibility for Regulatory and Quality. Within the Company, he has previously worked in the Analysis Department and in management roles in the production and quality control departments. Mr. Janoušek graduated from Charles University in the Czech Republic in 1987 with a degree in Pharmaceutical Technology. In 1988, he completed his postgraduate studies in Pharmaceutical Technology at Charles University. In 1991, Mr. Janoušek extended his qualifications in pharmaceutical analytics at the Institute for Post Graduate Education in the Czech Republic.

Petr Pokorný
Human Resources Director

Mr. Pokorný, born October 15, 1962, joined Zentiva in 2007 from Barum Continental where he was Director of the Human Resources Division from 2004. From 1993 to 2004, Mr. Pokorný was employed by Hartmann – Rico, holding positions as Human Resources Manager in the Czech Republic and Slovakia and from 2001 to 2004 and as Human Resources Manager for Eastern Europe. Between 1994 and 2004, Mr. Pokorný was a member of the Board of Directors at Hartmann – Rico, responsible for Human Resources and Services. He graduated from the Masaryk University in 1990 with a degree in Social Sciences and Pedagogy.

Alexander Marček
Director, Corporate Finance

Secretary to the Board of Directors Mr. Marček, born on September 11, 1968, joined Zentiva in October 2004 from Český Telecom, the largest provider of fixed line and mobile telecommunications services in the Czech Republic. Mr. Marček joined Český Telecom in 1998 as Investor Relations Manager, and became Director of Corporate Finance in 2001. Prior to this, Mr. Marček worked at the leading Czech investment bank Patria Finance, and the leading global investment bank Goldman Sachs in London. He has a degree from the University of California at Berkeley, and also studied at the Prague School of Economics.

Conflicts of interest

In 2007, the above members of the Board and Executive Management Team did not have any general conflict of interest between their duties to the Company and their private interests or other duties. Pursuant to the rules of the Board, a member of the Board is required to abstain from the vote on matters in which the member is an interested party and may have a potential conflict of interest. Therefore, should there be a conflict of interest in a specific matter, it would not have an impact on the decision-making of the Board because the conflicted member of the Board would abstain from discussion and voting on the matter in question.

In this connection, the following should be noted in particular:

- Messrs. Jean-Michel Lévy and Hanspeter Spek were nominated into the Board by Sanofi-Aventis, a significant shareholder of Zentiva.
- Mr. Johannes Scholts is a Managing Director of ATC, which provides corporate administration services to Zentiva, though these services are immaterial for ATC in the totality of its business.
- Mr. Bülent Eczacıbaşı is the chairman of Eczacıbaşı Group which controls EIS, Zentiva's counterparty with respect to the put/call option under the Shareholders' Agreement regarding Eczacıbaşı-Zentiva.
- On March 28, 2008, Mr. Petr Suchý married Ms. Iva Suchá (formerly, Černá), head of Zentiva's internal audit.

Declaration

Except as mentioned below and to the best knowledge of the Company, at the date of this Annual Report, for at least the previous five years, none of the members of the Board or Executive Management Team identified in this Annual Report has had any conviction in relation to fraudulent offences; or has held an executive function in the form of a senior manager, partner with unlimited liability, founder, a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation; or has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body); or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

In 2005, Zentiva's fully owned subsidiary Zentiva SK a.s. entered into liquidation process. The liquidation was completed in 2006. Lars Ramneborn was a member of its board of directors and Petr Šulc was a member of its supervisory board at the time of its liquidation. The liquidation was entirely voluntary and was related to optimization of the structure of Zentiva group.

Principles of remuneration

Remuneration of members of the Board and Executive Management Team in 2007

Directors

(in CZK thousands)	
Salaries	34 495
Bonuses, benefits and other remuneration	23 467
Post employment benefits [1]	751
Share based systems	8 703
Total	67 416

[1] Expenses recognized in relation to retirement award, based on collective labour agreement

Executive Management Team [1]

(in CZK thousands)	
Salaries	24 959
Bonuses, benefits and other remuneration	9 866
Post employment benefits [2]	464
Share based systems	6 191
Total	41 480

[1] Excluding Directors A
[2] Expenses recognized in relation to retirement award, based on collective labour agreement

Principles of remuneration

Principles of remuneration, which applied in 2007 and are expected to apply in the future, vary for the members of the Board, and for Zentiva's other executive management.

Members of the Board

Remuneration of Directors A (Executive Directors) consists of a fixed amount in respect of their performance of duties as directors of the Company, and of a fixed and variable amount (bonus) in respect of their performance of duties as executive managers of the Company. Total remuneration of Directors A is based on annual evaluation of their competencies, responsibilities, individual performance, and performance of the Company over a wide range of complex criteria such as annual net sales, free cash flow, operation margin, etc. This evaluation is performed by the Remuneration Committee. Based on its evaluation, the Remuneration Committee prepares a proposal for the Board to be adopted by the general meeting of shareholders of the Company. Directors A also participate in the company's stock option plan.

Directors B (Non-executive Directors) receive a fixed amount of remuneration and are granted share stock options. Remuneration policy for Directors B is also approved by the general meeting of shareholders as a result of recommendation of the Remuneration Committee.

None of the members of the Board of Directors has entered into a contract with the Company or any of its subsidiaries, providing for benefits upon termination of employment

Other executive management

Remuneration policy for Zentiva's executive management is designed to secure outstanding executive talent and to provide pay for performance within a transparent and consistent governance structure. It is based on the following key principles:

- Structure of remuneration has to support business needs in the Company's competitive market;
- Salary structure should be simple and consistent with the Company's business needs;
- Global pharmaceutical and FMCG companies are the primary comparison group for remuneration;
- Compliance with shareholder guidelines;
- Performance conditions should be based on measurable criteria and;
- Remuneration should also be determined using benchmark value methods.

The Remuneration Committee is primarily responsible for making recommendations to the Board on the Company's remuneration policy and, within the terms of the agreed policy, for the determining of the total individual remuneration packages of the top executive management. Such remuneration packages consist of a fixed amount and variable amount (bonus). The variable portion of remuneration is determined quarterly by the relevant person's superior, based on key performance indicators. These key performance indicators include Company-related criteria, such as net sales, free-cash flow and operating margin, and individual criteria related to the tasks of the particular executive manager. Executive management also participates in the stock option plan.

Ownership of shares and stock options

Based on information received from the relevant persons as of the date of this Annual Report, members of the Board held in aggregate 1,690,531 Zentiva shares, their close relatives held in aggregate 3,000 Zentiva shares, members of the Executive Management Team[18] held in aggregate 511,317 Zentiva shares, and their close relatives held no Zentiva share.

Based on information received from the relevant persons as of the date of this Annual Report, members of the Board held in aggregate 118,405 call options for Zentiva shares, their close relatives held no call option for Zentiva shares and members of the Executive Management Team[1] held in aggregate 128,500 call options for Zentiva shares and their close relatives held in aggregate 2,000 call options for Zentiva shares.

Corporate governance principles

General
Zentiva regards it as very important to achieve a balance in the interests of its various stakeholders. Enterprise, integrity, openness and transparent management as well as proper supervision of the management are the basis of Zentiva's corporate governance.

[1] Excluding Directors A

SECTION A – GENERAL OVERVIEW

Statement of Compliance with Dutch Corporate Governance Code

Zentiva applies a majority of the principles and best practice provisions of the Dutch corporate governance code (the "Code"), in so far as they are applicable to the Company's organizational structure and business profile.

Zentiva does not comply with the following principles and best practice provisions in the Code that are applicable to the Company (references to provisions and sections are references to the provisions and sections of the Code):

Best practice provision II.1.1

A management board member shall be appointed for a maximum period of four years. Mr. Scholts was appointed as Director B on March 31, 2004, and as of the date of this Annual Report, his term will have exceeded four years. The Board expects to hold new elections with respect to Mr. Scholts' Board seat during the upcoming annual general meeting, which is tentatively scheduled for June 5, 2008. Given this timeframe, the Board deemed it unnecessary for Mr. Scholts to resign early, as this would complicate the functioning of the Board and could also have an adverse impact on Zentiva's Dutch tax domicile. A similar situation may arise in the future, for a limited period of time, with respect to other Board members as well.

Principles applicable to supervisory boards as per section III

The Code mostly assumes that a company has a two-tier board structure whereby the supervision of the Executive Directors is conducted by a separate Supervisory Board. Zentiva has instead adopted a single tier board as is customary in the sphere of international business. Therefore, Zentiva does not have any Supervisory Board and some of a Supervisory Board's functions are performed by Nonexecutive Directors. Due to this organizational structure, certain of the best practice provisions of section III. of the Code are not by their nature applicable to Zentiva and Zentiva does not comply with such provisions.

Best practice provision III.1.2

Under the Code, the annual financial report of a company should contain a special report of the supervisory board. This Annual Report does not contain a special report of the Non-executive Directors, however, most of the information required by the Code which would be contained in such a supervisory board report is contained in this Annual Report.

Best practice provision III.5.1

The rules governing committees of the Board should contain a provision that a maximum of one member of each committee need not be independent within the meaning of best practice provision III.2.2. Current rules of Zentiva's Board committees do not contain such a requirement. The reason is to allow the possibility to staff the committees with persons who are not formally independent in light of the provisions of the Code, which may be necessary considering the shareholding structure of Zentiva and composition of the Board. However, current composition of the Board's committees materially complies with such independence requirement.

Best practice provision III.7.1

A supervisory board member shall not be granted any shares and/or rights to shares by way of remuneration. It is customary for international businesses to grant Non-executive Directors shares or options by way of remuneration. This is necessary to attract Non-executive Directors with the required level of experience in the pharmaceutical industry and with excellent international reputations. Therefore the Board deems it necessary to offer to certain potential Non-executive Directors share options as part of their remuneration.

Best practice provision III.8.1

The Chairman of the management board shall not also be and shall not have been an Executive Director. Zentiva's Chairman of the Board is Mr. Michal who is an Executive Director. It is the Board's opinion that due to the fact that Mr. Michal has worked for over thirty years for the Company in several functions, he is the best possible person to safeguard the interests of all of the Company's stakeholders and should therefore assume the position of Chairman.

Best practice provision III.8.4

The majority of the members of a one-tier management board shall be non-executive directors who are independent within the meaning of best practice provision III.2.2 of the Code. In Zentiva's Board, the majority of its members are not independent directors within the meaning ofthe above provision. This reflects historical development of membership in the Board, the presence of a significant hareholder (with respect to Messrs. Lévy and Spek) and he need to facilitate the smooth acquisition of Eczacıbaşı-Zentiva (with respect to Mr. Eczacıbaşı).

Board Committees

In keeping with the best practice provision III.5 of the Code,

Zentiva has put in place the following Board committees:

Audit Committee
The members of the Audit Committee are:
Urs Kamber (Chairman)
Jean-Michel Lévy
Brad Wilson

The Audit Committee advises the Non-executive Directors n relation to their responsibilities. The Non-executive Directors have full oversight responsibility for the Audit Committee and as a result the Audit Committee may not take any action on behalf of the Non-executive Directors without the approval of the majority of the Non-executive Directors.

The responsibilities of the Audit Committee include:

- Supervising, monitoring and advising the Executive Directors on, the effect of internal risk management and control systems, including supervision of the enforcement of the relevant legislation and regulations, and supervising the effect of codes of conduct;
- Supervising the submission of financial information by the Company;
- Supervising the compliance of recommendations and observations of internal and external auditors;
- Supervising the functioning of the internal audit department; in particular co-determining the plan of action for the internal audit department of the Company and taking note of the findings and considerations of the internal Audit Department;
- Supervising the policy of the Company on tax planning;
- Supervising the financing of the Company;
- Supervising the application of information and communication technology (ICT);
- Recommending the appointment of an external auditor by the Company's general meeting of shareholders; and
- Adoption of the annual accounts and approving the
- Budget and major capital expenditures of the Company.

The Audit Committee prepares and publishes on an annual basis a report of its duties and findings. In 2007, the Audit Committee met four times and discussed mainly internal audit activities, audit reports, management letter and other ad hoc issues.

At least once a year the audit committee shall, together with the Executive Directors, report to the Non-executive Directors on the developments concerning the relationship with the external auditor, in particular his independence.

Remuneration Committee
The members of the Remuneration Committee are:
Brad Wilson (Chairman)
Hanspeter Spek
Johannes Scholts

The Remuneration Committee advises the Non-executive Directors in relation to its responsibilities as set out in the Rules. The Non-executive Directors shall have full oversight responsibility for the Remuneration Committee and as a result the Remuneration Committee may not take any action on behalf of the Non-executive Directors without the approval of the majority of all the Non-executive Directors.

The responsibilities of the Remuneration Committee include preparing a proposal for the Board concerning the remuneration policies for the members of the Board to be adopted by the general meeting of shareholders of the Company.

The Remuneration Committee prepares and publishes on an annual basis a report of its duties and findings.

In 2007, the Remuneration Committee met three times to discuss its rules, organization of senior management, and executive management remuneration.

Selections and Appointment Committee
The members of the Selection and Appointments Committee are:
Johannes Scholts (Chairman)
Brad Wilson
Hanspeter Spek

The Selection and Appointment Committee advises the Board in relation to its responsibilities. The Non-executive Directors shall have full oversight responsibility for the Selection and Appointment Committee and as a result the Selection and Appointment Committee may not take any action on behalf of the Non-executive Directors without the approval of the majority of the Non-executive Directors.

The responsibilities of the Selection and Appointment Committee shall include:

- Preparing the selection criteria and appointment procedures for members of the Board;
- Periodically evaluating the scope and composition of the Board;
- Periodically evaluating the functioning of individual Executive Directors and Non-executive Directors and reporting the results thereof to the Non-executive Directors;
- Leading searches for candidate members of the Board; Proposing the (re-)appointments of members of the Board; and
- Supervising the policy of the Board in relation to the selection and appointment criteria for senior management of the Company.

The Selection and Appointment Committee prepares and publishes a report of its duties and fi ndings on an annualbasis. There were no meetings of this Committee in 2007 as all relevant issues were discussed at the Board level.

Code of Conduct and Misconduct Protocol of Zentiva

In terms of the best practice policy, the Board has approved a Code of Conduct which comprises the basic principles of Zentiva's corporate governance, as well as the essential ethical and legal obligations in handling the Company's business in order to work in a fair and honest manner. The Code of Conduct sets the targets and provides directions and procedural rules on how to reach and realize those targets accordingly.

Treatment of Personnel
Since Zentiva regards its personnel as a fundamental part of the Company's business, Zentiva's success is based, inter alia, on the continuous internal development of and creation a positive working environment for its staff. In addition Zentiva encourages individuals to express their concerns about any prospective misconduct capable of violating laws or regulations in order to ensure Zentiva's compliance with the applicable laws, regulations, and the Code of Conduct.

Treatment of Customers
In relation to its customers, Zentiva secures the highest possible level of business confidentiality and fulfils its obligations to the best of its abilities by providing high quality products, by maintaining significant levels of research and development of the most advanced healthcare products and the highest possible level of service.

Environment
Zentiva is conscious of the environment. Therefore, Zentiva observes locally and internationally accepted environmental standards and acts, and communicates to its customers and users of the Company products' potential dangers to the environment that might be caused by irresponsible use of such products.

Competition
Zentiva believes in reliable economic competition and endeavours to increase its market share by constantly improving the quality of its products and services.

2008 Annual General Meeting

The upcoming Annual General Meeting is tentatively scheduled to be held on June 5, 2008, in Amsterdam. The business to be transacted at the meeting will include, among other things:

- Resolution on Zentiva's annual accounts prepared in accordance with IFRS;
- Resolution on the proposal to pay dividend;
- Amendment of Articles of Association;
- Election of certain members of the Board.

A proper notice of the 2008 Annual General Meeting will be published by Zentiva in due course, shortly after the date of this Annual Report.

Internal control framework

The Board recognizes its responsibility for internal control system of the Company. The Board has accountability for reviewing and approving the adequacy and effectiveness of the internal controls operated by the Company, including financial, operational and compliance controls and risk management. The Board has delegated responsibility for such review to the Audit Committee, which regularly receives reports from the individuals responsible for internal control within the management structure. It is the responsibility of management through the Executive Management Team to implement Board policies on risk and control. The Executive Management Team is responsible for identifying, approving and enforcing key policies that go to the heart of how the Company conducts its business. The internal control framework includes central direction, resource allocation, and risk management of the key activities of research and development, manufacturing, marketing and sales, legal, human resources, information systems, and financial practice. As part of this framework, there is a comprehensive planning system with an annual budget which is approved by the Board. The results of operating units are reported monthly and compared to the budget. Forecasts are prepared regularly during the course of the year. Extensive financial controls, procedures, self-assessment exercises and risk mitigation activities are reviewed by the Company's auditors. Commercial and financial responsibility, however, is clearly delegated to local business units, supported by a regional management structure. These principles are designed to provide an environment of central leadership coupled with local operating autonomy as the framework for the exercise of accountability and control within Zentiva. The Company also attaches importance to clear principles and procedures designed to achieve appropriate accountability and control. It is an important corporate policy that mandates that business units establish processes for managing risks significant to their businesses and the Company as a whole. In a number of risk areas, specific standards that meet or exceed the requirements of applicable law have been established. The Board recognizes both the necessity for continued improvement of internal control mechanisms, and the inherent inability of any control system to predict and prevent all potentially possible issues. However, on the basis of the above and to the best knowledge of the Board, the internal risk management and control systems of the Company are materially adequate and effective in light of its current operations.

15. RISK FACTORS

The pharmaceutical business in which Zentiva operates does not only bring business opportunities, but it also brings various associated risks. A number of risk factors which are faced by Zentiva were discussed in its prospectus for Initial Public Offering and in its Annual Reports for prior years, all of which are available on Zentiva's website at www.zentiva.cz (go to "Investors"). Most of these risk factors continue to apply to Zentiva's business.

In addition to the risk factors discussed in Zentiva's prospectus and prior Annual Reports, certain other risks have arisen or have become more prominent since the time of the Initial Public Offering, and these additional risks are discussed below.

Please note that the above and below list of risk factors is not all-inclusive and there may be additional risks and uncertainties related to Zentiva's business. Readers of this Annual Report should bear all these risk factors, whether mentioned in this Annual Report or in other documents referred to above, in mind when evaluating the totality of Zentiva's business.

- *The Company might experience difficulties in integrating Eczacıbası-Zentiva with its existing business and may notbe able to realize the anticipated benefits of this acquisition.* The Company acquired Eczacıbaşı-Zentiva in 2007 and has started the integration of Eczacıbaşı-Zentiva with its existing business. The integrated businesses previously operated independently and the difficulties of combining the companies' operations include the necessity of coordinating and consolidating geographically separated organizations, systems and facilities, and integrating Zentiva's management and personnel with that of Eczacıbaşı-Zentiva, maintaining employee morale and retaining key employees. There continues to be a number of operational and financial risks associated with this acquisition and related integration. These risks include, but are not limited to, the following: (i) the Company's ability to realize the projected revenue and cost synergies, which is dependent upon a number of factors, some of which are beyond Zentiva's control; (ii) the Company's ability to satisfy its obligations under its EUR 550 million credit facility incurred to finance this acquisition; (iii) the Company's ability to finance in the future, either internally or externally, whether through debt, equity or otherwise, the expected acquisition of the remaining 25% stake in Ecacibasi-Zentiva upon exercise of the put/call option relating to this stake, and the Company's ability to satisfy its obligations incurred under any such financing; (iv) the Company's ability to accurately forecast financial results is affected by a significant increase in the scope and complexity of its business; (v) the Company's international-based revenues and expenses are subject to foreign currency exchange rate fluctuations; and (vi) to the extent goodwill or intangible assets associated with the acquisition become impaired, the Company may be required to incur material charges to its earnings for those impairments. If the Company is unable to successfully integrate the operations and manage the financial risks, the anticipated benefits of the acquisition of Eczacıbaşı-Zentiva may not be realized and it could result in a material adverse effect on the Company's operations and cash flow.

- *Covenants under various loan agreements may limit the Company's financial and operating flexibility.* The Company's various loan agreements, in particular the credit agreement executed by the Company in 2007 in connection with its financing of the acquisition of Eczacıbaşı-Zentiva, contain a number of financial, operating and other covenants that limit the Company's operating and financial flexibility. A failure to comply with any of these covenants could result in an event of default under the applicable agreement and could result in acceleration of the debt outstanding, and the cancellation of the credit available, as well as an event of default under the other loan agreements and related instruments that contain cross-acceleration or crossdefault provisions. If this occurred, the Company could be forced to refinance the accelerated indebtedness and it might be unable to obtain such refinancing on favorable terms, in time, or at all. As a result, the Company's creditors might attempt to seize its assets in order to satisfy their claims against the Company.

- *The Company has substantial indebtedness which requires it to apply a substantial portion of its cash flows from operation to service this indebtedness.* In connection with the acquisition of Eczacıbaşı-Zentiva, the Company incurred significant debt. As of December 31, 2007 the Company's total outstanding debt was CZK 16,797.8 million. The current indebtedness requires the Company to apply a significant portion of its operating cash flows to service this indebtedness which may prevent the Company from making additional acquisitions, investing in all contemplated capital projects, securing additional debt, and having a competitive advantage over its competitors that have less debt.

- *The Company's cost of API and other raw materials is subject to pricing risks and increases in prices may adversely affect the Company's profitability.* The Company needs to procure active pharmaceutical ingredients (API) and other raw materials in order to manufacture its products. Prices of API and other materials are subject to changes and several factors create upward pricing pressures for such materials, such as the increase of global prices of commodities made from crude oil, the appreciation of local currencies in India and China, elimination of export rebate subsidy by Chinese government, and closing down of several factories in China on grounds of environmental safety. If the Company is unable to procure API and other materials at favorable prices, its profitability may be adversely impacted.

- *If the Company fails to collect its receivables timely or at all, its operating results could be materially adversely affected.* In many of the Company's markets, collectability time of its receivables is substantial. Even though the Company's customers or other relevant parties ordinarily pay their payables eventually, the Company may be required to make allowances on account of aged or doubtful receivables. Such allowances may adversely impact the Company's operating results in any given period. Moreover, there is no assurance that the Company will actually collect the outstanding receivables or that the allowances for aged or doubtful receivables will be adequate.

- *The Company is subject to various legal proceedings.* As described elsewhere in this Annual Report, the Company is involved in various legal proceedings which arise from time to time in the ordinary course of business. Litigation is inherently unpredictable and unfavorable rulings do occur. Although the Company believes that it has substantial defenses in these matters, it could in the future incur judgments or enter into settlement of claims that could have a material adverse effect on the Company's results of operations.

16. OTHER INFORMATION

Basic information on the Company

Name
Zentiva N.V.

Legal Form
Public Limited Liability Company
(Naamloze Vennootschap)

Statutory seat
Amsterdam
The Netherlands

Address
Fred. Roeskestraat 123 1 HG.
1076 EE Amsterdam
The Netherlands

Mailing address
P.O.Box 75032
1070AA Amsterdam
The Netherlands

Telephone number
+31 (0)20 673 9753

Registry and registration number
Registered with the Trade Register of the Chamber of Commerce of Amsterdam under the registration number 33302572.

Legal regulations
Corporate matters of Zentiva N.V. are governed by Dutch company law. Corporate matters of Zentiva's subsidiaries are governed by company laws of the countries in which the respective subsidiaries are incorporated. Zentiva N.V. is also subject to selected securities laws of the Czech Republic and the United Kingdom by virtue of the listing of its shares and global depositary shares in Prague and London. In addition, in the course of its business activities Zentiva regularly becomes subject to laws of other countries as well.

Incorporated
April 29, 1998 as Zentiva B.V. (private limited liability company); Converted to Zentiva N.V. (public limited liability company) on May 21, 2004.

Scope of Business
(Article 2 of the Articles of Association[1])

- to incorporate, to acquire, to participate in, to finance, to manage and/or to have other interest in other companies or enterprises of any nature;
- to acquire, to develop, to use and/or to assign industrial and intellectual property rights;

[1] A full wording of the Articles of Association is available on Zentiva's website at www.zentiva.cz (go to section "Investors" and "Corporate governance").

- to raise funds by way of securities, bank loans, bond issues, (promissory) notes and/or to borrow in any other way, to lend, to provide guarantees, to bind the company and/or to pledge its assets for obligations of company and of other companies and enterprises with which it forms a group
- as well as everything pertaining to the foregoing, relating thereto or conductive thereto, all in the widest sense of the word.

Principal subsidiaries

Subsidiaries in which Zentiva has direct or indirect interest in equaling at least 10% of the consolidated equity or 10% of the consolidated net profit:

Name	Registered office	Identification number	Activity
Zentiva, a.s. (Prague)	U Kabelovny 130 Dolní Měcholupy 102 37 Prague 10 Czech Republic	49240030	Generic pharmaceutical products manufacturer
Zentiva, a.s. (Hlohovec)	Nitrianska 100 92027 Hlohovec Slovak Republic	31411771	Generic pharmaceutical products manufacturer
Zentiva S.A.	50, Theodor Pallady Avenue Bucharest Romania	R336206	Generic pharmaceutical products manufacturer
Zentiva International ,a.s.	Nitrianska 100 92027 Hlohovec Slovak Republic	35687355	Import, sale and distribution of pharmaceuticals products
ECZACIBAŞI-ZENTİVA SAĞLIK ÜRÜNLERİ SAN.TİC.A.Ş.	Büyükdere Cad. Ali Kaya Sokak No:7 Levent 34394 Istanbul Turkey	3360006849	Generic pharmaceutical products manufacturer

Name	Proportion of share capital held as of 31 December 2007	Amount of reserves [1]		Profit after tax for the year ended 31 December 2007[1]	Amount of the dividends paid to the Zentiva N.V. during 2007	Amount of issued share capital [1]
Zentiva, a.s. (Prague)	100%	Legal reserves	318 316 927 CZK	1 112 475 736 CZK	1 094 833 219 CZK	1 557 373 000 CZK
		Capital funds	37 173 779 CZK			
		Other reserves	23 193 257 CZK			
		Retained earnings	2 136 135 634 CZK			
Zentiva, a.s. (Hlohovec)	90,84%	Legal reserves	324 459 548 SKK	780 012 706 SKK	139 819 195 SKK	1 620 192 000 SKK
		Other statutory funds	1 145 655 075 SKK			
		Share premium	890 364 935 SKK			
		Other capital funds	45 467 130 SKK			
		Revaluation reserve	2 585 200 SKK			
		Retained earnings	615 465 688 SKK			
Zentiva S.A.	74,91%	Legal reserves	8 339 223 RON	4 258 101 RON	-	41 696 115 RON
		Other reserves	124 558 971 RON			
		Share premium	9 863 684 RON			
		Revaluation reserve	62 497 409 RON			
		Retained earnings	9 695 092 RON			
Zentiva International,a.s.	100%	Legal reserves	40 204 000 SKK	68 519 717 SKK	-	201 000 000 SKK
		Other capital funds	103 685 235 SKK			
		Retained earnings	322 166 453 SKK			
ECZACIBAŞI-ZENTİVA SAĞLIK ÜRÜNLERİ SAN.TİC.A.Ş.	75%	Legal reserves	4 768 696 TRL	6 969 575 TRL	-	272 000 000 TRL
		Other reserves	12 581 772 TRL			
		Other capital funds	16 875 911 TRL			
		Retained earnings				

[1] In accordance with local statutory accounting standards

Licenses and industrial property

Licenses Acquired

As a result of the acquisition of Eczacıbaşı Generic Pharmaceuticals, Zentiva acquired licenses for various products with application in therapeutics areas such as oncology, CNS and respiratory, for the Turkish market. Zentiva will extend licences for some products such as Montelukast and Escitalopram to further territories such as the CEE and CIS countries. Further territorial extensions related to licensing contracts for female hormonal product and for Lamotrigine were negotiated within the CIS.

Patents

Zentiva applied for 22 priority patent applications. Applications cover inventions improving atorvastatine synthesis, new drug formulation leading to improved and quick absorption, exclusive synthetic way for ezetimibe, methods for taste masking of drugs with an unpleasant taste or tablets of tramadol suitable for once daily dosage. Eight applications cover cost efficient synthetic processes of active ingredients in cardiovascular, CNS, urology and pain treatment groups. Three applications claim novel drug forms enabling their better distribution in a human body. Many patents were granted nationally, at the European Patent Office and by the US PTO. No Zentiva patents were nullified by a third party.

Trademarks

Zentiva applied for 18 new trademark families intended as brands for products in all major Zentiva market segments. Zentiva registers product trademarks routinely in all European countries and in several non-European countries where it has commercial interest. Logo trademarks are registered selectively in countries where the promotional campaign takes place. Moreover many trademarks were registered selectively in single countries. Zentiva was very successful in defending its trademarks against competitors' at different patent offices. All trademarks belonging formerly to Eczacıbaşı are now governed by the corporate IP department and were transferred to Eczacıbaşı-Zentiva.

Material contracts

The following is a summary of material contracts, other than contracts entered into in the ordinary course of business, to which Zentiva is a party and which were executed during 2007. All of these contracts relate to Zentiva's acquisition of Eczacıbaşı-Zentiva in Turkey (the "Acquisition").

Share Purchase Agreement dated March 2, 2007

On March 2, 2007, Zentiva entered into a share purchase agreement (the "Share Purchase Agreement") with EİS Eczacıbaşı İlac Sanayi ve Ticaret A.Ş. ("EIS") to acquire (i) 75% of the share capital of Eczacıbaşı Saglik Ürünleri Sanayi ve Ticaret A.Ş. (current name, Eczacıbaşı-Zentiva Saglik Ürünleri Sanayi ve Ticaret A.Ş.), and (ii) 75% of the share capital of EÖS Eczacıbaşı Özgün Kimyasal Ürünler Sanayi ve Ticaret A.Ş. (current name, Eczacıbaşı-Zentiva Kimyasal Ürünler Sanayi ve Ticaret A.Ş.) (both acquired companies together, "Eczacıbaşı-Zentiva"). The unadjusted consideration payable by Zentiva under the Share Purchase Agreement to EIS amounted to EUR 460 million and consisted of (i) an advance payment and (ii) a balance payment. The advance payment in the amount of EUR 5 million was paid by Zentiva to EIS upon signing of the Share Purchase Agreement. The balance payment in the amount of EUR 455 million was paid by Zentiva to EIS upon closing of the Acquisition, which occurred on July 2, 2007.

The Share Purchase Agreement also envisaged an additional adjustment of the purchase price, which was to be finalized after closing of the Acquisition. The amount of such post-closing adjustment depended on the development of the acquired companies' combined net cash and working capital between December 31, 2006 and the date of closing (i.e., July 2, 2007). Using relevant procedures stipulated in the Share Purchase Agreement, the amount of the post-closing adjustment payable by EIS to Zentiva was determined to be approximately EUR 58 million. Zentiva received this amount from EIS on March 7, 2008. Of this amount, EUR 53 million was used to prepay Zentiva's indebtedness incurred in connection with financing of the Acquisition (see below).

The Share Purchase Agreement also contains covenants, representations, warranties, indemnities, and other provisions customarily found in share purchase agreements relating to international acquisitions. The Share Purchase Agreement is governed by Turkish law.

Shareholders' Agreement dated April 17, 2007

As part of the Acquisition, a shareholders' agreement governing the relationship between Zentiva and EIS in respect of Eczacıbaşı-Zentiva (the "Shareholders' Agreement") was agreed and executed on April 17, 2007. The Shareholders' Agreement went into effect upon closing of the Acquisition, i.e., on July 2, 2007.

The Shareholders' Agreement prohibits EIS from selling its shares in Eczacıbaşı-Zentiva for a period of two years (the "Lock-Up"). Furthermore, under the Shareholders' Agreement, Zentiva granted a right of first refusal in relation to its 75% share in Eczacıbaşı-Zentiva in favor of EIS, and EIS granted a right of first refusal in relation to its 25% share in Eczacıbaşı-Zentiva in favor of Zentiva. In addition to this, EIS has a tag-along right in case Zentiva decides to sell its 75% share in Eczacıbaşı-Zentiva.

Under the Shareholders' Agreement, Zentiva has a call option and EIS has a put option in respect of EIS's 25% share in Eczacıbaşı-Zentiva. The call and put options can generally be exercised only during a three year period following expiration of the Lock-Up, however, in certain circumstances (such as a change of control of Zentiva, a material breach by Zentiva of the Shareholders' Agreement, insolvency of Zentiva, or certain circumstances that significantly adversely affect EIS's business, reputation, or good name), EIS can exercise its put option at any time. The exercise price applicable in case of the exercise of the call or put option is the highest of (i) the value of EIS's 25% share in Eczacıbaşı-Zentiva based on the consideration (disregarding any post-closing adjustments) as originally paid by Zentiva for its 75% share in Eczacıbaşı-Zentiva plus any equity contributions by EIS after closing of the Acquisition and applicable interest, (ii) the value of EIS's 25% share in Eczacıbaşı-Zentiva based on the net sales multiple as implied by the original consideration in the Acquisition multiplied by four times the average of the net sales for each of the previous eight financial quarters prior to exercise, and (iii) the value of EIS's 25% share in Eczacıbaşı-Zentiva based on the EBITDA multiple as implied by the original consideration in the Acquisition multiplied by four times the average of the EBITDA for each of the previous eight financial quarters prior to exercise.

Under the Shareholders' Agreement, the consent of EIS or its representative on the board of directors of Eczacıbaşı-Zentiva is required for certain significant decisions of Eczacıbaşı-Zentiva's general meetings or meetings of their respective boards of directors. Also, Zentiva and EIS agreed to be bound by certain non-compete covenants for a period of five years from completion of the Acquisition.

The Shareholders' Agreement contains other provisions customarily found in similar shareholders' agreements and it is governed by Turkish law.

EUR 550 million Credit Facility Agreement dated June 19, 2007

On June 19, 2007 Zentiva entered into a EUR 550 million syndicated credit facility agreement (the "Facility Agreement"), arranged by Citibank, N.A., London and syndicated to a syndicate of international and Czech banks. The primary purpose of the Facility Agreement was to finance the Acquisition. The Facility Agreement also provided financing for repayment of certain existing indebtedness of Zentiva and for general corporate purposes. The facilities were drawn in full at the end of June 2007.

The Facility Agreement provided for two CZK term loan facilities (a three-year and a five-year), two EUR term loan facilities (a three-year and a five-year), a CZK revolving credit facility, and a EUR revolving credit facility. The facilities bear interest rate determined as relevant PRIBOR, in case of a drawdown in CZK, or relevant EURIBOR, in case of a drawdown in EUR, plus a margin and certain mandatory costs. Currently, the margin is in the range of 40 to 100 basis points per annum, depending on the relevant facility and depending on Zentiva maintaining certain financial ratios (originally 40 to 75 basis points per annum, but subsequently renegotiated in connection with relaxation of the monitored financial ratios).

The facilities provided under the Facility Agreement are guaranteed by upstream guarantees from Zentiva's Czech and Slovak operating subsidiaries (the "Guarantors"). Under the Facility Agreement, Zentiva and the Guarantors provided to the financing banks a number of covenants (informational, financial, and other), representations, warranties, indemnities, and events of default, all as customarily found in similar acquisition financing agreements. The Facility Agreement allows for, and in some cases (illegality, change of control, disposals, and capital markets issues) even requires, early prepayment of the facilities (or of their portion). The Facility Agreement is governed by English law.

Certain information required by the takeover directive

Zentiva's Articles of Association do not contain any restrictions on transferability of Zentiva's shares, nor any restrictions on the exercise of voting rights associated with Zentiva shares. Under Article 13(4) of Zentiva's Articles of Association, Zentiva is not authorized to cooperate in the issue of depositary receipts for shares. To the extent known to Zentiva, on March 24, 2006 a shareholders agreement was executed between Sanofi-Aventis Europe on the one side and certain management shareholders (the "Management Shareholders") on the other side, which provides for certain restrictions on transferability of Zentiva shares owned by them. Specifically, (i) until March 24, 2008, the Management Shareholders were prohibited from selling, transferring, pledging, or otherwise disposing or encumbering their shares in Zentiva; (ii) following March 24, 2008, Sanofi-Aventis Europe has a right of first refusal on any shares the Management Shareholders may wish to sell or otherwise transfer; and (iii) the Management Shareholders were granted a tagalong right in case Sanofi-Aventis Europe intends to sell its shares in Zentiva. The shareholders agreement was concluded for an indefinite period of time, and can only be terminated for reasons stipulated in the agreement. As of the date of this Annual Report, the Management Shareholders held in total total 2,185,848 Zentiva shares.

Article 14 of the Articles of Association regulates procedure for appointment and dismissal of Zentiva's managing directors. In summary, the managing directors A shall be appointed by the general meeting of shareholders from a binding nomination drawn up by managing directors B. However, the general meeting of shareholders can deprive the binding nomination of its binding nature by a resolution adopted by two thirds of the votes cast, representing more than half of the issued capital. The managing directors B shall be appointed by the general meeting of shareholders free from any nomination. A managing director can be suspended or dismissed by the general meeting of shareholders at all times. However, with respect to managing directors A, unless a motion to suspend or dismiss a managing director A has been submitted by the managing directors B, a resolution to suspend or dismiss a managing director A may only be adopted by the general meeting of shareholders by at least two thirds of the votes cast, representing more than half of the issued capital.

Article 37 of the Articles of Association regulates procedure for the amendment of the Articles of Association. Changes to the Articles of Association have to be approved by the general meeting of shareholders by a simple majority of votes.

Powers of the Board regarding the issuance of new shares are regulated in Articles 4 and 5 of the Articles of Association. The Board is broadly authorized to issue new shares within the authorized share capital without a need for an approval by the general meeting of shareholders. Unless extended, this authorization will expire on May 21, 2009. In this connection, the Board is also broadly authorized to limit or exclude pre-emption rights of existing shareholders.

The authority of Zentiva to buy back its own shares is regulated in Article 6 of the Articles of Association. Among other things, an authorization by a general meeting of shareholders is required for a buy-back of shares, such authorization can last for no more than 18 months, and shares only up to 10% of issued share capital can be bought back. Currently, the Board is authorized to execute a buy-back by the resolution of the general meeting of shareholders adopted on June 7, 2007.

Among Zentiva's agreements that are material for Zentiva as whole, there are two which may be terminated should there be a change of control of Zentiva. First, under the Shareholders' Agreement described above in section "Material Contracts", if there is a change of control of Zentiva, EIS would be entitled to immediately exercise its put option. Second, under the Facility Agreement described above in section "Material Contracts", if there is a change of control of Zentiva (other than acquisition of control by Sanofi-Aventis Group), the financing banks may require immediate prepayment of all loans outstanding under the Facility Agreement.

Expenses of Zentiva group connected with external auditors services in 2007

(in CZK thousand)	Audit	Other	Total
Zentiva N.V			
Ernst & Young	6,125	665	6,790
PriceWaterhouseCoopers	3,747	22,557	26,304
Other companies within Zentiva Group			
Ernst & Young	15,545	1,148	16,693
PriceWaterhouseCoopers	649	2,933	3,582
Other auditors	427	718	1,145
Total	**26,493**	**28,021**	**54,514**

Other information

Description of the Company's financial condition, and relevant changes in financial condition and results of operation for years 2005 and 2006 are contained in the Company's Annual Reports for years 2005 and 2006, respectively.

Standalone financial statements of Zentiva N.V. as at, and for the year ended December 31, 2007, including notes thereto, will be filed in due course and in accordance with Dutch law with the Dutch AFM, and will be made available by AFM on its website at www.afm.nl (go to "English", "Public database", and "search in registers" for Zentiva).

The consolidated financial statements of Zentiva N.V. and its subsidiaries as at, and for the year ended December 31, 2007, which form part of this Annual Report, have not been yet approved by general meeting of Zentiva N.V. It is expected that they will be approved by the upcoming annual general meeting of Zentiva N.V. expected to be held on June 5, 2008.

During 2007 and up to the date of this Annual Report, there were no changes to Zentiva's Articles of Association.

Affirmation

I, Petr Šulc, Chief Financial Officer of Zentiva N.V., having taken all reasonable care to ensure that such is the case, hereby confirm, that the information contained in this Annual Report is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

In Amsterdam April 23, 2008

Section B
Consolidated financial statements

(ALL AMOUNTS IN CZK THOUSAND)

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007	2006
Total sales	4	16,670,318	14,003,126
Cost of goods sold		(6,877,063)	(4,940,510)
Gross profit		**9,793,255**	**9,062,616**
Sales and marketing expenses	4	(4,694,475)	(3,608,986)
General and administrative expenses, net	4	(2,014,492)	(1,582,382)
Impairment of fixed assets	4	(226,764)	(12,150)
Research and development		(687,883)	(556,000)
Profit before tax and finance costs		**2,169,641**	**3,303,098**
Interest income		54,650	26,979
Interest expenses	18	(542,735)	(116,850)
Financial income/(expenses), net	4	290,148	(123,915)
Profit before tax		**1,971,704**	**3,089,312**
Income tax expense	5	(515,473)	(800,032)
Net profit for the period		**1,456,231**	**2,289,280**
Attributable to:			
Equity holders of the parent		**1,412,434**	**2,203,160**
Minority interest		43,797	86,120
Earnings per Share (in CZK per Share):			
- basic, for profit for the year attributable to ordinary equity holders of the parent	6	37.18	57.88
- diluted, for profit for the year attributable to ordinary equity holders of the parent	6	37.03	57.81

The accompanying notes form an integral part of these consolidated financial statements.

(ALL AMOUNTS IN CZK THOUSAND)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

Balance Sheets as at 31 December	Notes	2007	2006
Assets			
Non-current assets:			
Property, plant and equipment, net	9	8,643,798	5,960,068
Intangible assets, net	10	4,802,897	1,073,414
Investments	11	24,977	25,264
Long term receivables		8,361	1,555
Deferred tax asset	5	254,601	242,276
Goodwill	8, 10	9,038,007	1,643,616
Total non-current assets		22,772,641	8,946,193
Current assets:			
Inventory	12	3,000,887	2,410,352
Accounts receivables, net	13	7,081,659	5,509,946
Purchase price adjustment receivable	14	1,634,720	-
Prepayments and other current assets	14	205,907	205,964
Marketable securities		21	21
Cash and cash equivalents	16	2,213,613	898,713
Cash restricted more than 3 months	16	13,970	290,785
Current assets		14,150,777	9,315,781
Assets held for sale	15	5,565	5,495
Total current assets		14,156,342	9,321,276
Total assets		**36,928,983**	**18,267,469**
Equity and liabilities			
Equity			
Share capital	17	12,112	12,112
Treasury shares	17	(182,592)	(122,905)
Share premium	17	2,514,784	2,514,784
Share options granted	25	103,101	52,479
Retained earnings		9,335,127	8,359,910
Cumulative translation adjustment		(860,737)	212,173
Equity attributable to equity holders of the parent		10,921,795	11,028,553
Minority interest		1,037,607	1,068,349
Total equity		11,959,402	12,096,902
Non-current liabilities:			
Obligations under capital lease	23	3,339	16,760
Interest bearing loans and borrowings	18	13,172,128	-
Financial liability to minorities	20	4,070,069	-
Provisions and other long term liabilities	22	279,491	1,523
Deferred tax liability	5	699,395	262,592
Total non-current liabilities		18,224,422	280,875

The accompanying notes form an integral part of these consolidated financial statements.

(ALL AMOUNTS IN CZK THOUSAND)

Balance Sheets as at 31 December	**Notes**	**2007**	**2006**
Current liabilities:			
Accounts payables	19	2,152,776	1,224,635
Other taxes payables	5	117,036	66,568
Accruals and other current liabilities	21	784,763	724,375
Current tax accrual		34,877	106,589
Overdraft and short term notes	18	3,625,718	3,709,350
Dividends payable		20,468	44,516
Current capital lease obligation	23	9,521	13,659
Total current liabilities		6,745,159	5,889,692
Total liabilities and equity		**36,928,983**	**18,267,469**

The accompanying notes form an integral part of these consolidated financial statements.

(ALL AMOUNTS IN CZK THOUSAND)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
Cash flows from operating activities:		
Profit before income taxes	1,971,704	3,089,312
Adjustment for:		
Depreciation, amortization expense and impairment	1,376,138	869,681
Net interest costs	488,085	89,871
(Gain)/loss on disposal of property, plant and equipment	(13,582)	(128,499)
Other non-cash (gains)/charges, net	(247,070)	34,343
Operating cash flows before working capital changes	3,575,275	3,954,708
Changes in:		
Accounts receivables	(423,173)	(1,830,892)
Inventory	312,755	(161,346)
Accounts payables	474,165	275,911
Other assets	42,785	(7,985)
Other liabilities and provisions	(47,401)	297,971
Cash generated from operations	**3,934,406**	**2,528,367**
Interest paid	(424,152)	(117,957)
Income taxes paid	(776,074)	(869,361)
Net cash flows from operating activities	**2,734,180**	**1,541,049**
Cash flows from investing activities:		
Purchase of tangible and intangible assets	(1,369,356)	(1,268,868)
Proceeds from disposal of property, plant and equipment	52,814	83,342
Proceeds from disposal of assets held-for-sale	-	632,641
Proceeds from/ purchase of long-term receivables	(6,806)	4,474
Acquisitions, net of cash acquired	(12,966,682)	(1,107,909)
Interest received	53,699	34,377
Net cash flows used in investing activities	**(14,236,331)**	**(1,621,943)**
Cash flows from/(used in) financing activities:		
Purchase of treasury shares	(59,687)	(122,905)
Proceeds from borrowings*	16,262,151	524,548
Repayment of borrowings*	(3,069,522)	(1,988,307)
Dividends paid to equity holder of the parent	(437,217)	(361,582)
Dividends paid to minority interests	(35,468)	(80,164)
Net cash flows from /(used in) financing activities	**12,660,257**	**(2,028,410)**
Net increase/(decrease) in cash and cash equivalents	1,158,106	(2,109,304)
Net foreign exchange difference	(120,021)	75,417
Cash and cash equivalents and Cash restricted more than 3 months at the beginning of the year	1,189,498	3,223,385
Cash and cash equivalents and Cash restricted more than 3 months at the end of the year	2,227,583	1,189,498

* 2006 proceeds and repayment of borrowings were revised to conform to the 2007 presentation - borrowings with maturities less than 3 months are presented on a net basis

(ALL AMOUNTS IN CZK THOUSAND)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

	Attributable to equity holders of the Company							Minority interest	Total equity
	Share capital	Treasury shares	Share premium	Share options	Retained earnings	CTA[2]	Total		
Balance as at 31 December 2005	12,112	-	2,514,784	11,754	6,518,332	7,111	9,064,093	717,455	9,781,548
Currency translation differences	-	-	-	-	-	205,062	205,062	62,663	267,725
Total income and expense for the year recognized directly in equity	-	-	-	-	-	*205,062*	*205,062*	*62,663*	*267,725*
Net profit 2006	-	-	-	-	2,203,160	-	2,203,160	86,120	2,289,280
Total income and expense for the year	-	-	-	-	*2,203,160*	*205,062*	*2,408,222*	*148,783*	*2,557,005*
Minority acquisition reversal	-	-	-	-	-	-	-	309,122	309,122
Treasury shares purchased	-	(122,905)	-	-	-	-	(122,905)	-	(122,905)
Equity dividends	-	-	-	-	(361,582)	-	(361,582)	-	(361,582)
Dividends of subsidiaries	-	-	-	-	-	-	-	(107,011)	(107,011)
Share options granted[1]	-	-	-	40,725	-	-	40,725	-	40,725
Balance as at 31 December 2006	12,112	(122,905)	2,514,784	52,479	8,359,910	212,173	11,028,553	1,068,349	12,096,902
Currency translation differences	-	-	-	-	-	(1,072,910)	(1,072,910)	(63,799)	(1,136,709)
Total income and expense for the year recognized directly in equity	-	-	-	-	-	*(1,072,910)*	*(1,072,910)*	*(63,799)*	*(1,136,709)*
Net profit 2007	-	-	-	-	1,412,434	-	1,412,434	43,797	1,456,231
Total income and expense for the year	-	-	-	-	*1,412,434*	*(1,072,910)*	*339,524*	*(20,002)*	*319,522*
Treasury shares purchased	-	(59,687)	-	-	-	-	(59,687)	-	(59,687)
Equity dividends	-	-	-	-	(437,217)	-	(437,217)	-	(437,217)
Dividends of subsidiaries	-	-	-	-	-	-	-	(10,740)	(10,740)
Share options granted[1]	-	-	-	50,622	-	-	50,622	-	50,622
Balance as at 31 December 2007	12,112	(182,592)	2,514,784	103,101	9,335,127	(860,737)	10,921,795	1,037,607	11,959,402

[1] Share options granted to management (see Note 25).
[2] Currency translation adjustment

(ALL AMOUNTS IN CZK THOUSAND)

1. CORPORATE INFORMATION

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

The shareholders of the Company as per Company's share register who hold a 5% or more interest in the Company's outstanding shares as at 31 December 2007 and 2006:

	2007	2006
Sanofi-Aventis Group	24.9%	24.9%
Generali PPF Group N.V. and parties acting in agreement with it	15.3%	12.3%
Management and employees	6.0%	6.1%
Other Institutional and Private investors	53.8%	56.7%

As of 17 January 2008 Generali PPF Group N.V. and parties in agreement with announced an increase of it's share to 19.1%. Further, Fervent Holdings Limited notified that as of 26 March 2008 held directly and indirectly 7.6% of shares. Therefore the share of other Institutional and Private investors as per the Company's share register decreased to 42.4%.

The directors of the Company as at 31 December 2007:

Jiří Michal, Chairman	Director A*
Petr Šulc	Director A*
Lars Ramneborn	Director A*
Urs Kamber	Director B*
Johannes Scholts	Director B*
Brad Wilson	Director B*
Hanspeter Spek	Director B*
Jean-Michel Levy	Director B*
Bülent Eczacibaşi	Director B*

* According to the Articles of Association Director A represents an Executive Director, Director B is a Non-executive Director.

Mr. Bülent Eczacibaşi joined the Board of Directors as per 1 July 2007.

The consolidated financial statements of the Group for the year ended 31 December 2007 were approved by the chairman of Board of Directors on 2 April 2008 and are authorized for issue by Board of Directors held on 23 April 2008.

The consolidated financial statements of the Group for the year ended 31 December 2007 will be presented for approval at the Annual General Meeting scheduled to be held on 5 June 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Accounting convention

The accompanying consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. At this particular time, due to the endorsement process of the EU, and the activities of the Group, there is no difference in the policies applied by the Group between IFRS and IFRS as adopted by EU.

The consolidated financial statements have been prepared on a historical cost basis, except for the measurement at fair value of derivative financial instruments and available-for-sale financial assets. Certain comparative information has been reformatted to conform to the current year presentation.

The accounts of the Group are presented in thousands of CZK. The accounts of the individual companies, which have been included in the consolidation, are maintained in the currencies as indicated and converted into CZK using the policy as described in Note 2f.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Accounting policies and disclosures which specifically address any significant estimates or changes in assumptions that affected on the reported amounts are further discussed in Notes 2aa, 5, 8, 9 and 10.

b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted those new/revised standards mandatory for financial years beginning on or after 1 January 2007.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment - Presentation of Financial Statements
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

The principal effects of these changes are as follows:

IFRS 7 - Financial Instruments: Disclosures
This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 - Presentation of Financial Statements
This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in Note 24.

IFRIC 8 - Scope of IFRS 2
This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee share option scheme, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 9 - Reassessment of Embedded Derivatives
IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 10 - Interim Financial Reporting and Impairment
IFRIC Interpretation requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

c) Adoption of International Financial Reporting Standards

In the years 2007 and 2006 the Group has applied consistently International Financial Reporting Standards that were applicable at 31 December 2007 and 2006.

The Group has not applied the following IFRSs and IFRIC Interpretations that have been issued/ revised but are not yet effective:

- IFRS 8 Operating Segments (effective date 1 January 2009)
- IFRS 3 Business Combinations (effective date 1 January 2009), revised
- IAS 1 Presentation of Financial Statements (effective date 1 January 2009), revised
- IAS 23 Borrowing Costs (effective date 1 January 2009), revised
- IAS 27 Consolidated and Separate Financial Statements (effective date 1 January 2009), amended
- IFRIC 11 IFRS 2 - Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements
- IFRIC 13 Customer Loyalty Programs
- IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRS 2 Share-based Payment (effective date 1 January 2009), amended

The Group expects that the adoption of the above pronouncements will have no significant impact on the Group's financial statements in the period of initial application except for application of revised IAS 23. IFRIC 12, 13 and 14 do not apply to the Group activities. The standard IAS 23 Borrowing Costs has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transactional requirements in the Standard, the Group will adopt this as a prospective change. No changes will be made for borrowing costs incurred and expensed before 1 January 2009.

d) Functional and presentation currency

Based on the primary economic environment in which the Group entities operate and taking into account the other factors as described in IAS 21, the functional currencies of individual consolidated Group entities were determined as follows:

- Zentiva's N.V. functional currency was determined to be Czech Crown (CZK)
- Czech entities' functional currencies were determined to be Czech Crown (CZK)
- Slovak entities' functional currencies were determined to be Slovak Crown (SKK)
- Zentiva´s S.A. functional currency was determined to be New Leu (RON)
- Zentiva´s PL functional currency was determined to be Polish Zloty (PLN)
- Zentiva´s Pharma functional currency was determined to be Russian Rubl (RUB)
- Turkish entities´ functional currencies were determined to be New Lira (TRY)

For the purpose of consolidated financial statements of Zentiva N.V., the presentation currency in accordance with IAS 21 was selected to be Czech Crown (CZK). The methods of translation of Group entities into the presentation currency are further described in Note 2f.

(ALL AMOUNTS IN CZK THOUSAND)

e) Basis of consolidation

The consolidated financial statements comprise the financial statements of Zentiva N.V. and its subsidiaries. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Group companies are those companies in which the Company has a controlling financial interest through direct and indirect ownership of a majority voting interest or effective managerial and contractual control. The subsidiaries held or acquired exclusively with a view to subsequent resale are excluded from consolidation and are included as available-for-sale investments and measured at fair value where this can be reliably measured or at cost less impairment losses where fair value cannot be reliably measured. All intercompany accounts and transactions have been eliminated in consolidation. The equity and net profit for the period attributable to minority interests are shown as separate items in the consolidated financial statements.

The Company has consolidated the following investments in which it has a controlling financial interest through direct and indirect ownership of a majority voting interest as at 31 December:

Company	Description	Ownership % 2007	Ownership % 2006
Zentiva N.V., Amsterdam	Parent company of the Group, incorporated in April 1998, the Netherlands	N/A	N/A
Léčiva CZ, a. s.	Incorporated in April 1998, the Czech Republic	100%	100%
Zentiva, a.s., Prague (former Léčiva a.s., Prague) and its subsidiary Zentiva International, a.s. (former Léčiva SK, a.s.)	Acquired May 1998, the Czech Republic	100%	100%
Zentiva PL Spolka z o.o., Nadační fond ERUDIO, Zentiva Pharma	Subsidiaries of Zentiva, a.s. Prague incorporated in 2003, Poland, the Czech Republic and Russia	100%	100%
Nadační fond Praktik	Incorporated 2002, the Czech Republic	50%+	50%+
Nadační fond pro Vaše srdce	Incorporated in 2006, the Czech Republic	50%	50%
Zentiva HU Kft.	Incorporated in 2006, Hungary	100%	100%
Zentiva BG EOOD	Incorporated in 2006, Bulgaria	100%	100%
SL Pharma Group including its key subsidiary	Acquired August 2003, Austria, liquidated in 2007	-	100%
Zentiva a. s., Hlohovec (former SLOVAKOFARMA, a.s.)	Acquired as a key subsidiary of SL Pharma, August 2003, the Slovak Republic	90.84%	90.84%
Farmácia Security, s.r.o. , Nadácia SL (foundation)	Subsidiaries of Zentiva a.s., Hlohovec acquired as part of the SL Pharma Group in 2003, the Slovak Republic	90.84%	90.84%
Zentiva ApS	Incorporated November 2004, Denmark	100%	100%
Venoma Holdings Limited Group including its key subsidiary	Acquired October 2005, Cyprus	100%	100%
Zentiva S.A. (former Sicomed S.A.)	Acquired as a key subsidiary of Venoma Holdings Limited, October 2005, Romania	74.91%	74.91%
Pallady Business Park	Acquired as a subsidiary of Zentiva S.A., October 2005, Romania	74.91%	74.91%
Eczacibasi-Zentiva Saglik Ürünleri	Acquired July 2007, Turkey	75%*	-
Eczacibasi-Zentiva Kimyasal Ürünler	Acquired July 2007, Turkey	75%*	-
Eczacibasi Pharmaceuticals S.R.L.	Acquired July 2007, subsidiary of Eczacibasi-Zentiva Saglik Ürünleri, Romania	75%*	-

* The ownership interest of 75% was acquired as at 2 July, 2007. At the same time, the seller (Eczacibasi Group) and Zentiva N.V. entered into put/call option agreement that obliges/entitles Zentiva N.V. to purchase the remaining 25% of the ownership and the management views this agreement as deferred payment for the minority stake with a contingent consideration element involved. The new acquisition has been consolidated as 100% ownership with corresponding financial liability to minority shareholders in long term liabilities. See Notes 8 and 20 for detail.

All changes in fair values of available–for–sale investments are recognized directly in equity except for impairment losses and foreign exchange gains and losses which are recorded as charges or income in the accompanying income statement.

f) Foreign currency translation

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

As discussed in Note 2d, the Group has identified the Czech Crown (CZK) as its presentation currency. As a result all financial statements of individual Group entities denominated in currency other than CZK (as described in Note 2d) are translated as follows:

a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
b) income and expenses for each income statement balance and statements of cash flow items are translated at the exchange rates at the dates of the transactions or at average exchange rates for the year;
c) components of equity are translated into the presentation currency using historic rates
d) all resulting differences are recognized as a separate component of equity, cumulative translation adjustment and are recognized to the statement of income upon disposal of the relevant investment.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquired entity and are recorded at the exchange rate at the date of the transaction and at each balance sheet date are translated at the closing rate. The resulting differences are taken to equity.

g) Property, plant and equipment

Property, plant and equipment are stated at purchase price or production cost less accumulated depreciation and any impairment in value. Production costs for self-constructed assets include the cost of materials, direct labour and an appropriate proportion of production overheads.

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

Freehold land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Asset	Years
Buildings	30 - 45
Plant and equipment	4 - 15
Vehicles	4 - 8
Furniture and other equipment	2 - 10

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses, if any, are recognized in the income statement.

h) Goodwill and negative goodwill, acquisitions

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Minority shares which are subject to a tender offer following the acquisition of a controlling interest or other put option arrangements on minority shares are accounted for as a liability. The difference between the fair value of the financial liability and the minority interest is accounted for as part of the business combination if the put option and business combination are linked transactions and the liability is assumed as a part of the consideration for the business acquired. Therefore, the above difference between fair value of the liability and minority interest is accounted for as goodwill. As of the date when the put option expires, the goodwill attributable to minorities which had not been acquired is released against minority interest. A financial liability to minority interest is recorded for all minorities to which the put option applies as at the balance sheet date. The liability is not recorded with respect to the shareholders who fall outside the scope of the put option or unconditionally refuse to offer their shares in a tender offer.

Freestanding minority interest acquisition and increase in ownership of a controlled subsidiary is not considered a business combination under IFRS 3. For such a minority acquisition the Group records the entire difference between the cost of acquisition and the minority interest acquired to equity.

When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the Group includes the amount of that adjustment in the cost of the combination at the acquisition date when the adjustment is probable and can be measured reliably. This adjustment is not included in the cost of the combination at the time of initial accounting for the combination if it either is not probable or cannot be measured reliably. If that adjustment subsequently becomes probable and can be measured reliably, the additional consideration is treated as an adjustment to the cost of the combination. The valuation of the contingent consideration is based on the fair value of the adjustment. If the estimate needs to be revised, the cost of the business combination is adjusted accordingly.

Zentiva Group has acquired on 2 July, 2007 a 75% shareholding of ECZACIBAŞI SAĞLIK ÜRÜNLERİ SANAYİ VE TİCARET A.Ş. and EÖS ECZACIBAŞI ÖZGÜN KİMYASAL ÜRÜNLER SANAYİ VE TİCARET A.Ş. representing the generic pharmaceutical part of Eczacibasi group (Turkey) with a put/call option for the remaining 25% stake. Zentiva group has effectively acquired a 100% interest in the new subsidiaries at the date of the business combination on 2 July, 2007 as the 25% related consideration based on an original purchase price is assumed to be a deferred payment. Any excess over this amount, which may be payable according to a shareholder agreement which stipulates a potential purchase price adjustment as a result of subsequent performance of the subsidiary, is considered to be contingent consideration.

The Group's initial accounting for this business acquisition was determined only provisionally by the end of 2007. The Group expects that the initial accounting shall be completed within 12 months from the acquisition date, i.e. in June 2008. As a result, the initial allocation of goodwill acquired could not be fully completed before 31 December 2007. An impairment test of goodwill can not be carried out until such goodwill has been allocated; however, the provisional goodwill impairment test was performed as at December 2007 already to test the reasonableness of the goodwill amount allocated as part of the provisional allocation of the acquisition price (see Note 10). The initial allocation of goodwill shall be completed in 2008 and an impairment test of this goodwill shall be carried out as part of the Group's annual impairment test in 2008.

i) Intangible assets

Intangible assets acquired separately from a business are capitalized at cost. Intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets, excluding development costs, created within the business are not capitalized and such costs are charged against profits in the year incurred.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets primarily consist of concessions, patents, licenses and similar rights and are amortized on a straight-line basis over their estimated useful life from 4 to 22 years. Assets acquired as part of the Venoma Holdings Limited (Zentiva S.A.) acquisition, which have in case of product and other brands an indefinite life, are not subject to amortisation but are subject to an annual impairment test.

j) Research and development

Research costs are expensed as incurred. Development expenditure incurred on an individual project is capitalized when its future recoverability can reasonably be regarded as assured. Any expenditure capitalized is amortized over the period of expected future sales from the related project.

k) Investments

All investments are initially recognized at the fair value of the consideration given, including acquisition charges associated with the acquisition of the investment.

After initial recognition, investments which are classified as held for trading and available-for-sale are measured at fair value. Gains or losses on investments available-for-sale are recognized directly in equity except for impairment losses and foreign exchange gains and losses which are recognized in income. Gains and losses on investments held for trading are recognized in income.

l) Inventories

Inventories are valued at the lower of cost and net realizable value as follows:

Raw materials	purchase cost on a weighted average basis
Work-in-progress	cost of direct materials and labour and an allocation of manufacturing overheads based on normal operating capacity
Finished products	cost of direct materials and labour and an allocation of manufacturing overheads based on normal operating capacity
Goods	purchase cost on a weighted average basis

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

m) Accounts receivable

Trade receivables have generally 60-180 day terms. Due date of receivables is adjusted in accordance with standard market conditions on separate territories. Receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. A provision for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

n) Cash

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

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above and include also restricted cash with maturity over three months that is specifically identified on the face of this Consolidated Cash Flow Statement.

o) Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium at issuance.

Borrowing costs are recognized as an expense when incurred. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds including amortization of discounts, premium and issue costs, if any.

p) Provisions

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

q) Leases

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

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the Group does not assume substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

r) Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

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

s) Income tax

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

- initial recognition of an asset or a liability in a transaction which is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- the initial recognition of goodwill,
- temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Income tax legislation in the countries where the Group operates

In the Netherlands, the Czech and Slovak Republics, Poland, Romania, Bulgaria, Hungary, Turkey and Russia, the corporate income tax is calculated in accordance with the local tax regulations, for each individual company separately. Consolidated corporate income tax returns for the Group or any of its subgroups are not filed.

The countries where the Group currently operates have a number of laws related to various taxes imposed by governmental authorities. Applicable taxes include value added tax ("VAT"), corporate tax, payroll (social) taxes and excise duties together with others. In addition, laws related to these taxes have not been in force for significant periods, in contrast to more developed market economies; therefore, implemented regulations are often unclear or nonexistent. Accordingly, few precedents with regard to the application and implementation of these laws have been established. Often, differing opinions regarding legal interpretations exist both among and within government ministries and organizations; thus, creating uncertainties and areas of conflict. The Group´s tax position (including matters related to its corporate structure and intercompany transactions) is subject to possible review and investigation by a number of authorities, who are enabled by law to impose extremely severe fines, penalties and interest charges. Management believes that it has adequately provided for the tax liabilities in the accompanying financial statements. However, if for any reason the Group´s tax position (including matters related to its corporate structure) were to be disputed by tax authorities, the Group could be subject to substantial tax liabilities which could have a material adverse impact on its financial position and results of operations.

t) Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to manage risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

u) Earnings per share

Basic earnings per share data is calculated based on the weighted average number of shares outstanding during the period excluding treasury shares held by the Company. Fully diluted earnings per share are based on the weighted average number of shares outstanding (as calculated for basic earnings per share) adjusted for the effect of the assumed issuance of all potentially dilutive securities.

During year 2007 and 2006 no significant potentially dilutive securities were outstanding except for management options (see Note 6). The dilutive effect of share options granted is measured based on a comparison between the average market price of an ordinary share during this period and its exercise price including the fair value of services to be obtained.

v) Employee benefits, share based payments

The Group uses an unfunded defined benefit plan. Actuarial techniques are used to measure the obligation and those obligations are measured on a discounted basis. Gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans. The past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, past service cost is recognized immediately.

The Group grants to its key employee's rights to equity instruments by means of share option plans as consideration for the services received. The cost of equity-settled share-based transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuator using the Monte Carlo model (see Note 25).

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earning per share (see Note 6).

w) Segment information

Segment results include revenues and expenses directly attributable to a segment and the relevant portion of Group revenues and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions, from transactions with other segments of the Group or, as specified by Group policy, based on internal prices established to allocate costs to the segments in the management accounting system of the Group.

Segment assets comprise those operating assets that are directly attributable to the segment or can be allocated to the segment on a reasonable basis by location of customers or by location of assets. Segment receivables are determined as net, i.e. after deducting related allowances that are reported as direct offsets in the Group's balance sheet.

Unallocated items mainly comprise corporate, general and administrative expenses including income tax items that relate to the Group as whole, assets not directly attributable to the operations of the segments such as short and long-term investments, and liabilities. Segment results are determined before any adjustments for minority interest.

Revenues are monitored by territory and by product groups. See Note 4 for detail.

x) Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is estimated as the higher of net selling price and value in use. Where carrying values exceed the estimated recoverable amount the assets are written down to their recoverable value. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such condition exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in estimate used to determine the asset's recoverable amount since the last impairment loss was recognized. Such reversal is recognized to profit or loss and the recoverable amount shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized.

y) Impairment testing of goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit is regarded as not impaired.

In Zentiva Group goodwill impairment test is performed on goodwill allocated to segments "Romania" and "Turkey". A part of production property from segments "Czech Republic" and "Slovak Republic" which is contributing to Romanian sales was also assigned to segment "Romania".

The recoverable amount is determined based on value in use calculation using projected cash flows for the following years based on approved budget discounted to present value. The discount rate reflects management's estimates of the risks assigned to the segment market and is supported by financial data available for that territory. Free cash flows projections are based on EBIT (calculated as income before interest, financial income / expense, net and income taxes), tax charge (based on nominal income tax rate), depreciation, capital expenditures and working capital changes (being calculated based on expected volume of receivables, inventory and payables excluding receivables and payables from taxes). Detail budgets are prepared on 3-5 years basis and usually extended up to 10 years using projections. After budgeted period Gordon's Growth Model with retention ratio is applied for perpetuity calculation. The perpetuity percentage applied in the impairment models is selected to approximate an expected inflation rate in long term. See Note 10 for details of impairment testing.

z) Contingencies

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

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

aa) Assets held for sale

The Group companies classify a non-current asset (or disposal group) as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale within one year must be highly probable.

The Group measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Group companies do not depreciate (or amortize) a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

The Group presents a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the accompanying balance sheet.

bb) Subsequent events

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

(ALL AMOUNTS IN CZK THOUSAND)

3. SEGMENT INFORMATION

Business segments

As substantially all of the Group's sales are pharmaceutical and consumer health care products (CHC), sold to a similar customer base, the Company believes that it operates in one business segment. The sales of active pharmaceutical ingredients (API) are realized with different customers in clearly insignificant volume.

Geographical segments

The structure is based on geographical areas by locations of customers and is measured using the following key figures:

Sales Revenues
Hand over price *
Allocation of marketing and other selling costs for the territory (except for support process costs)
Allocation of support process costs for the territory**
Allocation of accounts receivables, net for the territory

*costs which include cost of goods sold plus a share in the Group's administration and research and development costs allocated across the whole product portfolio (fixed over whole period, adopted to reality by adjustments),
**support process costs which are directly attributable to the territories such as information technology services, human resources services, registration costs and impairment of fixed assets.

Other assets, liabilities, income and expenses are not to be allocated. API sales and contract manufacturing are not monitored by geographical segment and are therefore included in the unallocated section.

The geographical segment information for the year 2007 is as follows:

	Czech Republic	Slovak Republic	Turkey****	Zone Balt*	Romania+***	Zone CIS**	Other	Total Segments	Unallocated	Eliminations/ Adjustments	Consolidated
By location of customers											
Net Sales	4,571,873	2,129,270	1,723,531	2,309,636	1,835,957	1,939,421	251,847	14,761,535	1,908,783	-	16,670,318
Hand over price	(2,132,316)	(1,034,694)	(1,064,567)	(810,373)	(1,134,467)	(658,367)	(141,574)	(6,976,358)	(1,646,139)	(197,050)	(8,819,547)
Selling expenses	(733,278)	(312,636)	(569,833)	(861,588)	(690,510)	(809,741)	(164,916)	(4,142,502)	(551,973)	-	(4,694,475)
Other support costs	(42,761)	(5,439)	(593,884)	(49,346)	(139,229)	(56,047)	(21,622)	(908,328)	(78,327)	-	(986,655)
Segment profit before tax and finance costs	*1,663,518*	*776,501*	*(504,753)*	*588,329*	*(128,249)*	*415,266*	*(76,265)*	*2,734,347*	*(367,656)*	*(197,050)*	*2,169,641*
Accounts receivable	1,352,093	601,989	1,335,204	665,042	1,477,354	1,180,868	121,508	6,734,058	347,601	-	7,081,659
Goodwill	10,968	-	7,531,175	-	1,495,864	-	-	9,038,007	-	-	9,038,007
Other assets	-	-	-	-	-	-	-	-	20,809,317	-	20,809,317
Liabilities	-	-	-	-	-	-	-	-	24,969,581	-	24,969,581
By location of assets											
Depreciation, amortization expenses and impairment	378,074	238,442	473,236	9,235	212,788	49,788	14,575	1,376,138	-	-	1,376,138
Fixed assets	3,301,115	2,190,314	6,173,685	29,726	1,436,675	109,478	205,702	13,446,695	-	-	13,446,695
Capital expenditures	567,451	292,818	147,060	8,588	77,229	42,959	233,251	1,369,356	-	-	1,369,356
Inventory	912,645	1,031,551	656,988	21,903	304,398	73,402	-	3,000,887	-	-	3,000,887

(ALL AMOUNTS IN CZK THOUSAND)

The geographical segment information for the year 2006 is as follows:

	Czech Republic	Slovak Republic	Zone Balt*	Romania+***	Zone CIS**	Other	Total Segments	Unallocated	Eliminations/ Adjustments	Consolidated
By location of customers										
Net Sales	4,881,493	1,868,918	2,065,167	2,479,238	1,615,260	80,566	12,990,642	1,012,484	-	14,003,126
Hand over price	(2,511,518)	(1,076,466)	(529,602)	(1,613,200)	(672,853)	(62,289)	(6,465,928)	(896,629)	446,034	(6,916,523)
Selling expenses	(731,357)	(292,754)	(846,360)	(528,723)	(582,024)	(14,135)	(2,995,353)	(613,633)	-	(3,608,986)
Other support costs	(15,275)	(16,338)	(46,757)	(19,929)	(67,842)	(8,378)	(174,519)	-	-	(174,519)
Segment profit before tax and finance costs	*1,623,343*	*483,360*	*642,448*	*317,386*	*292,541*	*(4,236)*	*3,354,842*	*(497,778)*	*446,034*	*3,303,098*
Accounts receivable	921,653	689,108	488,099	2,081,569	992,355	51,056	5,223,840	286,106	-	5,509,946
Goodwill	10,968	-	-	1,632,648	-	-	1,643,616	-	-	1,643,616
Other assets	-	-	-	-	-	-	-	11,113,907	-	11,113,907
Liabilities	-	-	-	-	-	-	-	6,170,567	-	6,170,567
By location of assets										
Depreciation, amortization expenses and impairment	329,964	261,795	8,744	238,458	30,720	-	869,681	-	-	869,681
Fixed assets	3,158,420	2,035,085	29,533	1,693,905	116,539	-	7,033,482	-	-	7,033,482
Capital expenditures	704,379	342,136	7,568	156,256	58,529	-	1,268,868	-	-	1,268,868
Inventory	945,522	991,618	35,905	335,669	76,178	25,460	2,410,352	-	-	2,410,352

** Zone Balt comprises Poland, Lithuania, Latvia and Estonia*
*** Zone CIS (Commonwealth of independent states) comprises Russia, Byelorussia, the Ukraine, Georgia, Kazakhstan, Azerbaijan, Armenia, Turkmenistan, Kyrgyzstan and Uzbekistan*
****Romania + comprises Romania, Bulgaria, Moldavia*
***** Turkey – line Hand over price in territory Turkey consist of Cost of good sold only. Share in the Group's administration, research and development costs allocated across the whole product portfolio is presented on line Other support costs due to different reporting system in Turkey and ongoing integration.*

The presentation of 2006 segment information was adjusted to the 2007 segment presentation (changes in Zone Romania, Zone CIS and Other).

(ALL AMOUNTS IN CZK THOUSAND)

4. REVENUES AND EXPENSES

General and administrative expenses, net

General and administrative expenses, net, for the years ended 31 December 2007 and 2006 are comprised of the following:

	2007	2006
Office salaries and management	(735,126)	(593,015)
Services	(214,925)	(178,395)
Depreciation and amortization	(264,169)	(193,557)
Operating expenses – general and administration	(217,938)	(239,464)
Travel, exhibitions	(49,087)	(27,463)
Bad debt expense, net	(160,230)	(79,579)
Representation, gifts	(39,806)	(50,497)
Operating leases	(26,813)	(27,328)
Other operating gains/expenses, net	(31,816)	91,002
Miscellaneous administrative expenses	(274,582)	(284,086)
General and administrative expenses, net	(2,014,492)	(1,582,382)

The 2006 balance of Other operating gains/expenses, net includes a profit in the amount of CZK 92,442 thousand resulting from the sale of land, which was recorded as assets held for sale as of 31 December 2005. Further, other operating gains/expenses, net mainly comprise gains and losses from sale of fixed assets and contractual penalties. Miscellaneous administrative expenses mainly comprise advisory services, software license fees and fees for administration area maintenance.

Sales and marketing expenses

	2007	2006
Staff costs	(1,804,878)	(1,222,050)
Depreciation and amortization	(181,755)	(176,861)
Direct selling expenses, handling	(862,711)	(604,934)
Marketing costs	(854,053)	(796,040)
Sales overhead	(991,078)	(809,101)
Total sales and marketing expenses	(4,694,475)	(3,608,986)

Impairment of fixed assets

	2007	2006
Eczacibasi-Zentiva intangible assets impairment	(216,134)	-
Other	(10,630)	(12,150)
Total impairment of fixed assets	(226,764)	(12,150)

Intangible assets acquired as part of Eczacibasi Generic Pharmaceuticals acquisition on 2 July 2007 were reviewed for impairment as of 31 December, 2007. Subsequent to the impairment test, an impairment loss of CZK 216,134 thousand was charged to the income statement together with the related impact on deferred tax of CZK 43,227 thousand. The impairment loss was mainly caused by Zentiva Group's decision to abolish certain development projects or products and to replace them later with Zentiva own brands with the same or similar active substance already launched in other territories. The remaining part of impairment charge on Eczacibasi-Zentiva intangible assets related to valuation of toll manufacturing and increased competition during second half of 2007.

(ALL AMOUNTS IN CZK THOUSAND)

Financial income/(expenses), net

Financial income/(expenses), net in 2007 and 2006 mainly include net income/(expenses) resulting from foreign currency exchange differences.

Key operating costs by nature

	2007	2006
Total average number of employees	6,355	4,668
Wages and other benefits	(2,896,016)	(2,111,111)
Social and health insurance	(813,028)	(672,121)
Total staff costs	(3,709,044)	(2,783,232)
Raw material used	(4,084,229)	(3,000,752)
Change in inventory of finished goods, semi-finished goods and work in progress	(451,348)	194,986
Depreciation, amortization and impairment	(1,376,138)	(869,681)
Repairs and maintenance	(487,638)	(435,005)

Cost of goods sold mainly includes direct production costs such as material, energy, production wages, and indirect costs such as production overheads, depreciation of machinery and amortization of licenses and other intangibles, transport and other operating costs not included as part of General and administrative expenses, net or Sales and marketing expenses.

Sales breakdown by territories

	2007	2006
Branded pharmaceuticals		
Czech Republic	4,740,344	5,088,024
Turkey	3,045,861	-
Romania	1,994,886	2,478,682
Poland	2,172,552	1,943,027
Slovak Republic	2,156,152	1,891,559
Russia	1,579,492	1,316,820
Other	1,347,362	1,103,345
API	286,721	225,493
Other sales/deductions	(653,052)	(43,824)
Total sales	16,670,318	14,003,126

Sales breakdown by product groups

	2007	2006
Branded pharmaceuticals		
Prescription	13,929,942	10,614,578
CHC	3,106,707	3,206,879
API	286,721	225,493
Other sales/deductions	(653,052)	(43,824)
Total sales	16,670,318	14,003,126

5. TAXES

Income tax expense

Major components of income tax expense for the years ended 31 December are (in CZK thousand):

	2007	2006
Consolidated statement of income:		
Current income tax charge	574,984	932,221
Adjustments in respect of current income tax of previous periods	4,417	(2,007)
Deferred income tax:		
Relating to origination and reversal of temporary differences	(44,929)	(130,182)
Relating to the change in income tax rates	(18,999)	-
Income tax expense reported in the consolidated statement of income	515,473	800,032

There are no income tax consequences related to the undistributed retained earnings of subsidiaries, consolidated statements of changes in equity and cumulative translation adjustments because of the applicable parent company tax exemptions.

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

	2007	2006
Profit before tax	1,971,704	3,089,312
Tax at the domestic rates applicable to profits in the country concerned*	441,041	686,544
Permanent differences (including unrecognized tax losses of the parent company)**	74,432	113,488
Total income tax expense	515,473	800,032
Effective tax rate	26%	26%

*A reconciliation of income tax expense applicable to profit from operating activities before income tax is prepared on the basis of aggregating separate reconciliations for each national jurisdiction. In 2007 the statutory income tax rates were 24% for Czech and Russian entities, 19% for Slovak and Polish entities, 16% for Romanian entities, 25.4% for Dutch entities, 20% for Hungarian and Turkish entities and 10% for Bulgarian entities. The rates applicable for Czech entities are 21% in 2008, 20% in 2009 and 19% for 2010 and onwards. In 2006, statutory income tax rates were 24% for Czech and Russian entities, 19% for Slovak and Polish entities, 16% for Romanian entities and 27.5% for Dutch entities.

**Significant portion relates to the permanent differences and other unrecognized tax losses in Zentiva N.V. in 2007 and 2006. The total amount of accumulated unrecognized tax losses in Zentiva N.V. as of 31 December 2007 and 2006 is estimated by management at CZK 283,370 thousand and CZK 378,660 thousand, respectively. As the level of their utilization cannot be assessed with reasonable certainty, the management decided to treat such losses as permanent differences of the standalone parent company of the Group and no deferred tax asset has been recorded in this respect.

Deferred taxes arise from temporary differences in the net book values of assets and liabilities for statutory accounting and tax purposes, from temporary differences relating to adjustments to conform to IFRS and from temporary differences resulting from consolidation adjustments.

As of 31 December 2007 and 2006, the key components of deferred taxes are as follows (in CZK thousand):

	2007		2006	
	Asset	Liability	Asset	Liability
Temporary differences between book and tax value of fixed assets (including capitalization of leases and assets held for sale)**	2,717	(878,883)	-	(316,440)
Allowance for receivables	46,553	(12,988)	713	-
Allowance for inventory	61,302	-	29,514	-
Receivables discounting	8,807	-	-	-
Other provisions	140,621	-	87,982	
Capitalization of leases	-	-	-	(2,136)
Costs which are tax deductible in future periods	8,575	(1,242)	16,472	-
Taxable revenues which will turn into accounting revenues in future periods	4,300	(2,355)	-	-
Tax losses carry forward	6	-	-	-
Consolidation adjustments***	183,816	(6,111)	163,579	-
Other adjustments	88	-	-	-
Total gross deferred taxes	456,785	(901,579)	298,260	(318,576)
Set off*	(202,184)	202,184	(55,984)	55,984
Total net deferred taxes	254,601	(699,395)	242,276	(262,592)

* Gross deferred tax assets and liabilities and their current and long term portions, respectively, were offset for each individual subsidiary of the Group when applicable. No consolidated corporate income tax return may be filed for the Group.

** The increase in 2007 mainly results from acquisition of subsidiaries in Turkey and revaluation of their assets for provisional purchase price allocation purposes.

*** Mainly related to the elimination of unrealized intercompany profits.

The basic structure of net deferred tax balances by legal entity in the Group as at 31 December 2007 and 2006 is as follows (in CZK thousand):

	2007	2006
Deferred tax liabilities		
- Zentiva, a.s. Prague	(64,134)	(64,587)
- Zentiva, a.s. Hlohovec	(23,231)	(21,189)
- Zentiva S.A.	(153,851)	(175,402)
- Eczacibasi-Zentiva Saglik Ürünleri	(443,282)	-
- Eczacibasi-Zentiva Kimyasal Ürünler	(8,786)	-
- Impact of consolidation	(6,111)	(1,414)
Deferred tax liability	(699,395)	(262,592)
Deferred tax assets		
- Zentiva International, a.s.	46,850	40,815
- Other subsidiaries of Zentiva, a.s. Prague	23,935	36,468
- Impact of consolidation (primarily unrealized margin elimination)	183,816	164,993
Deferred tax asset	254,601	242,276

Other taxes

Other Taxes Payable in the accompanying consolidated balance sheet consist of other than corporate income tax payables or accruals, primarily VAT payable, custom duties, excise duties, property and other taxes payable.

6. EARNINGS PER SHARE

The following reflects the income and share data used in the basic earnings per share computations:

	2007	2006
Weighted average number of ordinary shares issued	38,136,230	38,136,230
Weighted average number of treasury shares	(146,250)	(71,728)
Average number of shares outstanding during the period adjusted by treasury shares impact	*37,989,980*	*38,064,502*
Dilutive effect of share options granted	154,228	45,956
Average number of shares outstanding during the period adjusted for effect of dilutive potential shares	*38,144,208*	*38,110,458*
Net income attributable to ordinary shareholders (CZK thousand)	1,412,434	2,203,160
Basic earnings per share	37.18 CZK/share	57.88 CZK/share
Diluted earnings per share	37.03 CZK/share	57.81 CZK/share

There have been no transactions involving ordinary shares or potential ordinary shares that would impact the earning per share basis set out above since the reporting date and before the completion of these financial statements.

The dilutive effect of share options granted in 2007 and 2006 was measured based on comparison between the average market price of an ordinary share during the period and its exercise price including the fair value of services to be obtained. In 2007 and 2006, the dilutive effect of share option was 154,228 shares and 45,956 shares, respectively (see Note 25).

7. RETAINED EARNINGS/DIVIDENDS PAID AND PROPOSED

Retained earnings available for distribution are based on the financial statements of the Company prepared in accordance with the law of the Netherlands, as opposed to these consolidated financial statements, which are prepared under International Financial Reporting Standards as adopted by EU. The distributable reserves at 31 December 2007 and 2006 amount to CZK 8,894,545 thousand and CZK 7,188,418 thousand, respectively.

Dividends of CZK 437,217 thousand and CZK 361,582 thousand were paid to equity holders of the parent during the years 2007 and 2006.

8. MERGERS AND ACQUISITIONS

Turkey

On 2 July, 2007 Zentiva Group acquired a 75% shareholding in ECZACIBAŞI SAĞLIK ÜRÜNLERİ SANAYİ VE TİCARET A.Ş. and EÖS ECZACIBAŞI ÖZGÜN KİMYASAL ÜRÜNLER SANAYİ VE TİCARET A.Ş. representing the generic pharmaceutical part of Eczacibasi group (Turkey) with a put/call option on the remaining 25% stake. The exercise price for both the put option and the call option was established by the shareholders' agreement as the highest of 3 calculation formula results which are based either on the original purchase price or on portion of the subsidiaries results in the period subsequent to the acquisition until the option is exercised. The option can be exercised as soon as a 24 month lock up period since the acquisition date expires. The original acquisition and the option are linked transactions and the group has therefore effectively acquired a 100% interest in new subsidiaries at the date of the business combination on 2 July 2007 as the 25% related consideration based on the original purchase price is assumed to be a deferred payment. Any excess over this amount as a result of subsequent performance of the subsidiary is considered as contingent consideration.

The Group's initial accounting for this business acquisition was determined only provisionally by the end of 2007 because there existed uncertainties as of the date of the preparation of the financial statements that will be addressed in further analysis. The Group expects that the initial accounting shall be completed within 12 months from the acquisition date, i.e. in June 2008.

The total consideration is made up from a number of elements as described in the following paragraphs. All conversions to CZK of the consideration components below are disclosed at the applicable transaction date rates which may differ from the year end rates. All related foreign currency conversion impact and interest charges were charged / credited to the consolidated income as applicable.

Newly acquired entities contributed to the 2007 consolidated net income in total of CZK (196.8) mil including impairment loss and fair value adjustments. It was impracticable to prepare pro-forma information on the 2007 revenues and profit of the combined entity as though the acquisition date had been 1 January 2007 because the acquired entities were subject to a special purpose carve out from Eczacibasi group and no comparative information was available for the period prior to the acquisition.

The total consideration related to the acquisition amounts to CZK 15,780,423 thousand and includes acquisition costs of both shareholdings, 75% and 25% share. The 75% related consideration includes:

- payment of EUR 459,750 thousand in July 2007 (CZK 13,210,440 thousand)
- post-closing price working capital adjustment of TRY 58,694 thousand accrued in September 2007, later adjusted
- final post-closing price adjustment of TRY 105,479 thousand (CZK 1,666,122 thousand), i.e. TRY 58,694 thousand accrued in September plus TRY 46,785 thousand recorded as at 31 December 2007 when was probable and could be reliably measured. The full amount was collected on 7 March 2008.
- not transferred contracts adjustment amount of TRY 19,199 thousand (CZK 304,490 thousand) related to manufacturing contracts which were not transferred to the purchaser or were transferred but with adverse modifications (immediate compensation of TRY 11,136 thousand received in November plus contingent consideration at TRY 8,063 thousand, expected to be collected in 2008-2010)
- the consideration also includes costs directly attributable to the acquisition of CZK 140,021 thousand.

The consideration for 25% stake as of the 2007 year end is presented in the accompanying balance sheet in the financial liability to minorities. The consideration has been established as deferred payment based on the original purchase price of EUR 153,250 thousand (CZK 4,400,574 thousand); the related earn out contingent consideration as at 31 December 2007 is nil as it has been estimated by the management not to be probable to be paid when the option is exercised. See also Note 20 for further information.

The fair values and carrying values of the identifiable assets and liabilities of ECZACIBAŞI SAĞLIK ÜRÜNLERİ SANAYİ VE TİCARET A.Ş. and EÖS ECZACIBAŞI ÖZGÜN KİMYASAL ÜRÜNLER SANAYİ VE TİCARET A.Ş. as at the date of acquisition were provisionally allocated as follows (in CZK thousand):

	Fair values as at 2 July 2007	Carrying values as at 2 July 2007
Property, Plant and Equipment, net	2,617,570	2,553,234
Intangible assets, net	4,009,589	1,514,622
Eczacibasi brand	162,400	-
Other non-current assets	278,299	278,299
Inventory	1,010,832	903,290
Account receivables and other current assets, net	1,400,071	1,400,071
Cash and Cash Equivalent	207,312	207,312
	9,686,073	6,856,828
Trade payables and accruals	(888,333)	(888,333)
Provisions and other current liabilities	(165,659)	(165,659)
Overdrafts and Interest bearing loans	(16,200)	(16,200)
Provision and other long term liabilities	(245,969)	(245,969)
Deferred income tax payable	(524,724)	24,713
	(1,840,885)	(1,291,448)
Total value of net assets acquired	7,845,188	5,565,380
Goodwill arising on acquisition	7,935,235	
Total consideration	15,780,423	

The fair values were based on an independent appraisal report prepared as at the date of acquisition.

The fair value of the Eczacibasi brand has been provisionally established as 2% royalty rate over 2 years which is viewed by the management as a best estimate given the 2 year lock up period related to the acquisition. The fair value of this brand is sensitive to these assumptions. The entitlement to use Eczacibasi brand will expire five years after closing of the deal, therefore, different assumptions could be also used resulting in a variance in purchase price allocation. Allocation of, for example, a 3% royalty rate over 4 years would arrive to a fair value of CZK 519,680 thousand compared to the provisional value of CZK 162,400 thousand allocated.

There were significant estimates and assumptions applied by the management, namely the discount rates ("WACC") and EBITDA (defined as income before interest, financial income / expense, net, depreciation expense, impairment losses and income taxes) when allocating fair values to intangible assets. These two variables are the most important. The fair value of production related separately identifiable intangible assets at the acquisition date is sensitive to the discount rate assumptions and projections of planned free cash flows included in the business models (based on stable average planned EBITDA margin) that were used as a basic input for the valuation report. The sensitivity analysis below shows the fair values which would have been assigned to the identifiable intangible assets if the discount rates ("WACC") and EBITDA margins were changed while keeping other variables constant, compared to the base values which were used by the valuation expert.

	base EBITDA margin minus 2%	base EBITDA margin minus 1%	base EBITDA margin[2]	base EBITDA margin plus 1%	base EBITDA margin plus 2%
base WACC minus 1%	3,256,865	3,771,267	4,285,669	4,783,831	5,298,233
base WACC[1]	3,078,225	3,560,147	*4,009,589*	4,507,751	4,989,673
base WACC plus 1%	2,899,585	3,349,027	3,798,469	4,247,911	4,713,593

[1] base WACC used for the fair valuation was in the range 9%-12% depending on the risk premium/discount to the specific group of intangible assets
[2] base long term EBITDA margin used in the business models ranged between 17% and 20%

The sensitivity analysis of goodwill arising on the acquisition is further discussed in Note 10.

Romania

In October 2005 Zentiva N.V. acquired 100% of Venoma Holdings Limited, a holding company which owns a 50.98% interest in Sicomed S.A.(lately renamed to Zentiva S.A.), a Romanian pharmaceutical company. Following the acquisition, Zentiva N.V. launched a tender offer for the outstanding minority of 49.02% in Sicomed S.A.

The tender offer for the Sicomed S.A. shares has expired on 19 January 2006. As a result, the Group acquired additional 23.93% stake in Sicomed S.A. for the consideration of CZK 1,107,909 thousand. The total Group's stake in this subsidiary increased to 74.91% as of this date.

The Group's initial accounting for Sicomed S.A. business acquisition was finalized at the beginning of October 2006 resulting in an increase of the initially recorded amount of goodwill by CZK 182,531 thousand.

In the process of finalizing the purchase price allocation in 2006, the Group revised some of the assumptions, which were used for the independent valuation appraisal report prepared for the initial accounting of purchase price allocation e.g. planned EBITDA used for the original calculation of free cash flow was decreased to the more realistically expected figures. As a result, the valuation of some intangible assets was changed.

9. PROPERTY, PLANT AND EQUIPMENT

Summary of Property, Plant and Equipment, net as at 31 December 2007 and 2006 (in CZK thousand):

	Freehold land and buildings	Machinery and equipment	Construction in progress	Total
As at 31 December 2006				
Cost	4,030,056	5,678,286	218,031	9,926,373
Accumulated depreciation	(757,935)	(3,208,370)	-	(3,966,305)
Net book value as at 31 December 2006	3,272,121	2,469,916	218,031	5,960,068
As at 31 December 2007				
Cost	5,406,002	7,359,312	404,814	13,170,128
Accumulated depreciation	(904,253)	(3,622,077)	-	(4,526,330)
Net book value as at 31 December 2007	4,501,749	3,737,235	404,814	8,643,798

	Freehold land and buildings	Machinery and equipment	Construction in progress	Total
31 December 2005 net book value	2,748,757	2,244,071	585,695	5,578,523
Additions	1,500	6,472	1,043,594	1,051,566
Transfers	636,563	778,433	(1,414,996)	-
Disposals	(37,216)	(41,546)	-	(78,762)
Impairment	1,152	(11,821)	-	(10,669)
Depreciation charge	(134,053)	(556,127)	-	(690,180)
Currency translation adjustment	55,418	50,434	3,738	109,590
31 December 2006 net book value	3,272,121	2,469,916	218,031	5,960,068
Additions from acquisitions	1,237,783	1,304,591	75,196	2,617,570
Additions	7,933	-	1,150,126	1,158,059
Transfers	286,668	734,945	(1,021,613)	-
Disposals	(34,089)	(16,577)	(608)	(51,274)
Impairment	-	(10,630)	-	(10,630)
Depreciation charge	(166,481)	(645,241)	-	(811,722)
Other	(1,591)	236	447	(908)
Currency translation adjustment	(100,595)	(100,005)	(16,765)	(217,365)
31 December 2007 net book value	4,501,749	3,737,235	404,814	8,643,798

Additions from acquisition in 2007 relate to the impact of Eczacibasi Generic Pharmaceuticals acquisition. The non current assets acquired are stated at fair value as of the date of acquisition less accumulated depreciation for the period from acquisition through 31 December 2007. The main addition to the group in this respect were 2 production plants.

Significant additions in 2007 include:

- Construction of a new warehouse of CZK 268,526 thousand, investment to machinery and equipment of CZK 97,651 thousand and investments to environmental program of CZK 6,324 thousand in the Czech Republic;
- Investment connected to Tramadol production transfer of CZK 25,258 thousand, purchase of 2 Blister packing machines and Glatt coating machine of CZK 50,911 thousand in the Slovak Republic;
- Purchase of Manesty 750 tablet coating machinery, Blister filling and packaging line and LEAK test machinery of CZK 37,668 thousand in Turkey.

Additions in 2006 mainly include reconstruction of administrative building of CZK 486,000 thousand, investment to production lines of CZK 235,000 thousand, IT technologies of CZK 147,200 thousand, supporting processes of CZK 91 thousand and to environmental program of CZK 8,500 thousand in the Czech Republic. Building reconstruction of CZK 91,541 thousand, Granulator machine of CZK 23,372 thousand and Simatic system of CZK 23,749 thousand in the Slovak Republic.

The carrying value of property, plant and equipment held under finance lease and hire purchase contracts at 31 December 2007 and 2006 is CZK 61,994 thousand and CZK 94,108 thousand, respectively.

Construction in progress

Construction in progress at 31 December 2007 and 2006 included advances of CZK 85,119 thousand and CZK 7,569 thousand, respectively and tangibles in progress of CZK 319,695 thousand and CZK 210,462 thousand, respectively. 2007 and 2006 advances represent mainly advances for machinery and other investment projects. Generally, tangibles in progress represent construction and reconstruction of operating premises, acquisition of machinery and equipment and other investment projects.

The significant parts of construction in progress include:

- Investments mainly to building reconstruction of total CZK 33,463 thousand, to IT technologies of CZK 9,457 thousand and machinery of CZK 9,807 thousand in the Czech Republic; reconstruction of production facilities of CZK 62,591 thousand in the Slovak Republic; reconstruction of production facilities of CZK 34,401 thousand and purchase of machinery and equipment of CZK 15,927 thousand in Romania; purchase of production machinery and equipment of CZK 55,755 thousand in Turkey at 31 December 2007.

- Investments to IT technologies in the amount of CZK 42,797 thousand, reconstruction of package material storehouse of CZK 20,522 thousand and laboratory equipment of CZK 15,084 thousand in the Czech Republic, reconstruction of administrative and production building of CZK 71,574 thousand and purchase of production machinery and equipment of CZK 20,848 thousand in Romania at 31 December 2006.

Fully depreciated assets

Included in property, plant and equipment as at 31 December 2007 is machinery and equipment with an acquisition cost value of CZK 1,326,717 thousand, which is fully depreciated, but remain in use.

Assets not in active use

As at 31 December 2007 and 2006 the Group did not have any significant assets not in active use.

10. INTANGIBLE ASSETS AND GOODWILL

Summary of intangible assets of Zentiva N.V. as at 31 December 2007 and 2006 (in CZK thousand):

	Concession, Patents, Licenses, Brands and Other intangibles	Development costs, Relationship with distributors & contract manufacturing	Total
As at 31 December 2006			
Cost	1,302,940	398,728	1,701,668
Accumulated amortization	(543,733)	(84,521)	(628,254)
Net book value	759,207	314,207	1,073,414
As at 31 December 2007			
Cost	3,440,850	2,150,413	5,591,263
Accumulated amortization	(600,829)	(187,537)	(788,366)
Net book value	2,840,021	1,962,876	4,802,897

Carrying amount of intangible assets with indefinite life (including goodwill) as at 31 December 2007 and 2006 was CZK 9,601,297 thousand and CZK 2,091,071 thousand respectively.

	Concession, Patents, Licenses, Brands and other intangibles	Development costs, relationship with distributors & contract manufacturing	Intangibles, net	Goodwill
31 December 2005 net book value	741,200	352,930	1,094,130	1,851,986
Additions	117,579	15,859	133,438	-
Disposals and adjustments	(11,582)	-	(11,582)	-
Impairment	(1,481)	-	(1,481)	-
Amortization charge	(102,571)	(64,780)	(167,351)	-
Goodwill related to the minority tender offer outstanding as of 31 December 2005	-	-	-	(178,112)
Currency translation adjustment	16,062	10,198	26,260	(30,258)
31 December 2006 net book value	759,207	314,207	1,073,414	1,643,616
Additions from acquisition	2,092,652	2,079,337	4,171,989	7,935,235
Additions	358,124	11,240	369,364	-
Disposals and adjustments	(7,623)	-	(7,623)	-
Impairment	-	(216,134)	(216,134)	-
Amortization charge	(219,371)	(118,281)	(337,652)	-
Other	(447)	1,452	1,005	-
Currency translation adjustment	(142,521)	(108,945)	(251,466)	(540,844)
31 December 2007 net book value	2,840,021	1,962,876	4,802,897	9,038,007

Additions from acquisition in 2007 relate to the impact of Eczacibasi Generic Pharmaceuticals acquisition. The intangible assets are stated at fair value as of the date of acquisition less accumulated amortization and impairment charges for the period from acquisition through 31 December 2007.

The main additions from the acquisition are (with net book value after amortization and impairment charges) as at 31 December 2007:

- ECZACIBAŞI brand (with net book value of CZK 116,235 thousand)
- pharmaceutical product brands (with net book value of CZK 1,755,144 thousand)
- product pipeline (with net book value of CZK 1,044,565 thousand)
- contract manufacturing related intangibles (with net book value of CZK 684,345 thousand)

Significant additions in 2007 mainly include investments in SAP system (including up-grade) of CZK 32,379 thousand, Projects eZen and eDMS of CZK 36,202 thousand and LIMS licenses of CZK 11,016 thousand in the Czech Republic and purchase of trade marks, know-how and other intangible assets (e.g. Rubophen, Vitamin B1, Gilemal, Nikron) of total CZK 222,251 thousand made in Hungary.

Significant additions in 2006 mainly include Project eZen of total CZK 8,789 thousand in the Czech Republic.

Intangibles in progress at 31 December 2007 mainly include licenses (e.g. Hydrazon, Toparimate, Diane-Chloe, Lamotrigin/Aural) of total CZK 39,403 thousand and investments to IT systems of CZK 14,047 thousand (e.g. SAP improvement and new corporate infrastructure) in the Czech Republic.

Intangibles in progress at 31 December 2006 mainly include licenses (Hydrazon, Toparimate, Lamotrigi/Aural, Sumatriptan-CINIE and Diane-Chloe) of CZK 44,972 thousand and investments to IT systems of total CZK 56,640 thousand (e.g. Project eDMS of CZK 15,568 thousand, SAP improvement and Microsoft license of total CZK 10,634 thousand) in the Czech Republic.

Patents and licenses are being amortized evenly over their useful economic lives of 4 to 11 years, brands acquired as part of business combination that have indefinite lives are not amortized but are subject to annual impairment test.

Impairment testing

Intangible assets except for goodwill

Identifiable intangible assets acquired as part of Eczacibasi Generic Pharmaceuticals acquisition on 2 July 2007 were reviewed for impairment as of 31 December 2007. Subsequent to the impairment test, an impairment loss of CZK 216,134 thousand was charged to the income statement together with related impact on deferred tax of CZK 43,227 thousand. The impairment loss was mainly caused by Zentiva Group's decision to abandon certain development projects or products and to replace them with Zentiva's own brands with the same or similar active substance already launched in other territories. The remaining part of impairment charge resulted from valuation of toll manufacturing and increased competition during the second half of 2007.

Impairment test of goodwill allocated to segment "Turkey"

The initial purchase price allocation related to Turkey and related goodwill in amount of TRY 485,945 thousand (converted as CZK 7,935,235 thousand as of the date of acquisition and CZK 7,531,175 thousand as of 31 December 2007) was determined only provisionally. A goodwill impairment test was performed as of 2007 year end using knowledge about the acquired business which the management of the Group had gathered since the acquisition. The budgets used for identifiable asset valuation (prepared for provisional acquisition accounting in summer 2007) were updated in order to calculate the recoverable amount and test goodwill impairment taking into account revised plans, expectations and intentions of Zentiva in Turkey. These revised budgets prepared in accordance with the business strategy of Zentiva Group which will be applied in Turkey were also used for intangible assets impairment testing and the valuation of the financial liability resulting from the put-call option related to the remaining 25% stake acquisition (see Notes 8 and 20).

Detailed budgets were prepared on a 3 year basis extended up to 10 years using projections. The growth rate used to extrapolate cash flow projections beyond this period was assumed to be 2%, discount rate was estimated to be 10.5%.

The sales and marketing costs ratio used for budget purposes has been kept stable over the budgeted years at 18.5% - 19.5%.

The most critical elements of the impairment analysis performed by the management are the selection of EBITDA margin growth percentage and post-tax discount rate "WACC" percentage. The sensitivity of these two factors to the goodwill impairment test is documented below in CZK mil from the base value.

The goodwill impairment test sensitivity analysis provided below is based on calculated difference between recoverable and carrying amount of goodwill in comparison with the base value which represents the result of goodwill impairment test performed by Zentiva Group as of 31 December 2007. The results of the test lead to a conclusion that no impairment needs to be recognized in 2007.

EBITDA margin average growth [1])	**Discount rate ("WACC")**				
	9.50%	10%	10.50%	11%	11.50%
4.0%	+4,696	+3,255	+1,953	+775	(279)
3.5%	+2,480	+1,178	*Base value*	(1,069)	(2,030)
3.0%	+310	(868)	(1,922)	(2,867)	(3,735)

[1] average budgeted EBITDA margin growth per years 2008-2012. From year 2013 onwards the estimated EBITDA margin growth is nil. EBITDA margin is defined as income before interest, financial income / expense, net, depreciation expense, impairment losses and income taxes divided by net sales value.

The following reasonable possible changes in the key assumptions, holding all other assumptions constant, would give a value in use equal to the carrying amount:

- A reduction of EBITDA margin growth to 2.6%; or
- An increase of the discount rate to 12.35%.

Impairment test of goodwill allocated to segment "Romania"

Goodwill in amount of CZK 1,495,864 thousand was acquired through Zentiva S.A. (former Sicomed S.A.) acquisition in 2005 and is allocated to segment Romania. Budgets were prepared using relevant detail available and projections for 10 years. The sales growth rate for the first 5 years was set at the same level as the expected market growth at 15 % while the growth rate used to extrapolate cash flow projections beyond this period was assumed to be 2%. The discount rate was estimated to be 11% (11.54% in 2006).

Sales and marketing costs ratio used for budget purposes has been kept stable at 21% and was increased in comparison with 17-18% used for the impairment test in 2006.

The results of the test lead to a conclusion that no impairment needs to be recognized in 2007.

11. INVESTMENTS

Summary of financial investments of the Group as at 31 December 2007 and 2006 (in CZK thousand):

Investee	Country	31 December 2007			31 December 2006			% of ownership in	
		Cost of acquisition	Total change in fair value / impairment, net	Fair value	Cost of acquisition	Total change in fair value / impairment, net	Fair value	2007	2006
Mestská ČOV, s.r.o	Slovak Republic	20,171	-	20,171	20,344	-	20,344	19%	19%
Other securities	Czech Republic, Slovak Republic	9,127	(5,929)	3,198	9,288	(5,980)	3,308	-	-
Other Investments	Czech Republic, Slovak Republic, Romania	1,863	(255)	1,608	1,867	(255)	1,612	-	-
Total Investments (non-consolidated)		31,161	(6,184)	24,977	31,499	(6,235)	25,264	-	-

Other Securities and Contributions and Other Investments are carried at fair value.

12. INVENTORY

Inventory, net, at 31 December 2007 and 2006 is comprised of the following (in CZK thousand):

	31 December 2007	31 December 2006
Raw Materials and Supplies	1,146,490	872,292
Work in Process	380,348	346,721
Finished Goods	1,423,427	1,160,198
Merchandise	50,622	31,141
Total Inventory, net	3,000,887	2,410,352

Obsolete, defective or slow moving inventories have been reduced to their net realizable value by an allowance, determined by management based on the results of physical stock taking for the finished goods inventory and a detailed analysis of the respective items for obsolete, defective and excessive inventory. The amount of inventory allowance as at 31 December 2007 and 2006 amounted to CZK 183,488 thousand and CZK 131,290 thousand respectively.

13. ACCOUNTS RECEIVABLE, NET

	31 December 2007	31 December 2006
Trade accounts receivable	6,686,570	5,849,901
Receivables from taxes	1,049,957	224,478
Other receivables	97,515	123,900
Less valuation allowance	(752,383)	(688,333)
Accounts receivable, net	7,081,659	5,509,946

Trade Receivables represent outstanding balances on invoices from both domestic and foreign customers. All receivables from domestic sales are denominated in local currencies while receivables from abroad are denominated in foreign currencies.

As at 31 December 2007 and 2006 trade receivables at nominal value of CZK 752,383 thousand and CZK 688,333 thousand were impaired.

Movements in the provision for impairment of receivables were as follows:

At 1 January 2006	(623,958)
Currency translation adjustment	(7,816)
Charge for the year	(225,098)
Utilized	23,019
Reversed	145,520
At 31 December 2006	(688,333)
Currency translation adjustment	7,668
Charge for the year	(361,366)
Utilized	88,512
Reversed	201,136
At 31 December 2007	(752,383)

(ALL AMOUNTS IN CZK THOUSAND)

As at 31 December the ageing analysis of trade receivables is as follows:

	Neither past due nor impaired	< 90 days overdue	91 – 180 days overdue	181 – 360 days overdue	>360 days overdue	Total
2007	4,361,993	1,220,383	576,662	174,196	353,336	6,686,570
2006	3,915,711	980,475	358,570	126,431	468,714	5,849,901

Receivables from taxes include receivables from tax authorities predominantly related to VAT.

Other receivables in 2007 mainly include security paid to tax authority for excise duty, balances due from Chemapol and interest receivable from former non-consolidated subsidiary Leciva FARMSANOAT in amount of CZK 45,665 thousand, which was fully provided for as at 31 December 2007.

Other receivables in 2006 mainly include security paid to tax authority for excise duty, balances due from Chemapol and interest receivable from former non-consolidated subsidiary Leciva FARMSANOAT in the amount of CZK 48,179 thousand, which was fully provided for as at 31 December 2006.

14. PREPAYMENTS AND OTHER CURRENT ASSETS, PURCHASE PRICE ADJUSTMENT RECEIVABLE

Prepayments and Other Current Assets at 31 December 2007 are comprised of advances for goods and services of CZK 90,249 thousand and of prepaid expenses of CZK 115,658 thousand. Advances for goods and services mainly consist of CZK 549 thousand advances for material and of CZK 89,700 thousand advances for services.

Prepayments and Other Current Assets at 31 December 2006 are mainly comprised of advances for goods and services of CZK 91,410 thousand and of prepaid expenses of CZK 113,787 thousand. Advances for goods and services mainly consist of CZK 4,481 thousand advances for material and of CZK 86,929 thousand advances for services.

Purchase price adjustment receivable represents the agreed-upon post-closing adjustment to the acquisition price. On March 6, 2008 Zentiva announced that the Company and EİS ECZACIBAŞI İLAÇ SANAYİ ve TİCARET A.Ş. ("EIS") reached agreement on the amount of the post-closing adjustment, as set out in the Share Purchase Agreement (the "SPA"), dated March 2, 2007, regarding the acquisition by Zentiva of 75% of Eczacibasi Generic Pharmaceuticals. The agreed-upon post-closing adjustment amount is TRY 105,479 thousand (CZK 1,634,720 thousand as at 31 December, 2007) and this amount was determined using the procedure stipulated in the SPA, based mainly on the development of the net cash and working capital of Eczacibasi Generic Pharmaceuticals between the end of 2006 and the closing of the acquisition on July 2, 2007. The receivable has been collected on March 7, 2008. See also Notes 8 and 26.

15. ASSETS HELD FOR SALE

Assets held for sale in 2007 represent cars held under financial lease in amount of CZK 5,565 thousand, which are intended to be sold within one year.

Assets held for sale in 2006 represent a dryer machine in the amount of CZK 5,495 thousand which was intended to be sold within one year. During year 2007 the criteria for recognition of this asset as held for sale were no longer met and the Group has ceased to classify it under this category.

(ALL AMOUNTS IN CZK THOUSAND)

16. CASH AND CASH EQUIVALENTS AND CASH RESTRICTED MORE THAN 3 MONTHS

	31 December 2007	31 December 2006
Cash at bank and in hand	4,286	3,761
Short-term deposits – unrestricted and cheques	2,209,327	894,952
Total cash and cash equivalents	2,213,613	898,713
Total cash restricted more than 3 months	13,970	290,785

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made overnight or for varying periods of between 1 and 30 days depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

As of 31 December 2006, the Company maintained an escrow account with restricted cash relevant to sale of land in Zentiva S.A. (see Note 23). A part of this balance is still outstanding at 31 December 2007.

17. SHARE CAPITAL AND SHARE PREMIUM

	31 December 2007	31 December 2006
Share Capital (in TCZK)	12,112	12,112
Share Premium as (in TCZK)	2,514,784	2,514,784
Total Number of Shares Issued at 31 December	38,136,230	38,136,230
Total Number of Treasury shares	(171,000)	(126,000)

The authorized capital as at 31 December 2007 and 2006 amounted to CZK 12,112 thousand.

18. INTEREST BEARING LOANS AND BORROWINGS

As at 31 December 2007, the Group had the following interest bearing loans and borrowings:

				Outstanding as at 31. 12. 2007		
				Amount in	Amount in TCZK	
Bank	Nature	Maturity due	Total limit	foreign currency	Short term	Long term
Zentiva a. s., Prague						
Komerční banka	Loan	2008	400,000 TCZK	-	100,000	-
	Overdraft	2008	incl. 200,000 TCZK	-	92,309	-
	Overdraft	2008	incl. 100 TEUR	-	-	-
	Overdraft	2008	incl. 100 TUSD	-	-	-
CITIBANK Europe plc	Loan[2]	2008	900,000 TCZK	-	-	-
	Overdraft	2008	incl. 200,000 TCZK	-	-	-
Česká spořitelna	Loan	2008	900,000 TCZK	-	600,000	-
	Overdraft	2008	incl. 300,000 TCZK	-	271,463	-
Zentiva, a. s. Hlohovec						
Tatra banka – EXIM	Loan	2008	270,000 TSKK	-	213,783	-
Tatra banka	Overdraft	2008	300,000 TSKK	-	-	-
	Overdraft	2008	50,000 TSKK	-	-	-
	Overdraft	2008	50,000 TSKK	-	-	-
Zentiva Pharma						
ZAO Citibank	Overdraft	2008	6,000 TUSD	151 TRUB	111	-
Zentiva N.V.						
Citibank Europe plc	Loan[2]	2008	900,000 TCZK	-	-	-
	Overdraft	2008	incl. 500,000 TCZK	-	124,814	-
	Overdraft	2008	10,000 TEUR	65 TEUR	1,730	-
Citibank London [1]	Loan	2012	88,512 TEUR	87,917 TEUR	129,080	2,211,283
	Loan	2010	14,752 TEUR	14,622 TEUR	129,080	260,151
	Loan	2012	10,201,684 TCZK	-	558,884	9,574,305
	Loan	2010	1,700,281 TCZK	-	558,884	1,126,389
	Revolving	Up to 2010	4,932 TEUR	4,863 TEUR	129,461	-
	Revolving	Up to 2010	568,431 TCZK	-	560,533	-
Zentiva PL, Sp						
CITIBANK PL	Overdraft	2008	1,000 TPLN	-	-	-
Eczacibasi-Zentiva Saglik Ürünleri						
Fortisbank	Loan	2008	5,000 TEUR	8,551 TTRY	132,523	-
HSBC Bank	Overdraft	2008	2,000 TUSD	1,477 TTRY	22,896	-
Garanti Bank	Overdraft	No term	1,000 TTRY	11 TTRY	167	-
TEB	Overdraft	No term	15 TTRY	-	-	-
Current part					3,625,718	-
Non – current part						13,172,128
Total Bank Loans						16,797,846

[1] Syndicated loan related to financing Eczacibasi acquisition. In June 2007 Zentiva entered into a EUR 550 million syndicated credit facility agreement. The primary purpose of this credit facility was to finance the acquisition of 75% of ECZACIBAŞI SAĞLIK ÜRÜNLERİ SANAYİ VE TİCARET A.Ş. and EÖS ECZACIBAŞI ÖZGÜN KİMYASAL ÜRÜNLER SANAYİ VE TİCARET A.Ş. representing generic pharmaceutical part of Eczacibasi group (now renamed Eczacibasi-Zentiva companies). The facility agreement has also provided financing for repayment of certain existing indebtedness of Zentiva and for general corporate purposes.

[2] Loan available for companies Zentiva N.V. and Zentiva a.s. Prague.

The Group has a total overdraft facility of CZK 1,955 million available with 6 banks of which CZK 513 million was drawn as at 31 December 2007.

As at 31 December 2006, the Group had the following interest bearing loans and borrowings:

				Outstanding as at 31. 12. 2006		
				Amount in	Amount in TCZK	
Bank	Nature	Maturity due	Total limit	foreign currency	Short term	Long term
Zentiva a. s., Prague						
Komerční banka	Loan	2007	400,000 TCZK	-	-	-
	Overdraft	2007	incl. 200,000 TCZK	-	128,764	-
	Overdraft	2007	incl. 100 TEUR	32 TEUR	890	-
	Overdraft	2007	incl. 100 TUSD	-	-	-
CITIBANK, a.s.	Loan	2007	900,000 TCZK	-	300,000	-
	Overdraft	2007	incl. 200,000 TCZK	-	9	-
Česká spořitelna	Loan	2007	900,000 TCZK	-	300,000	-
	Overdraft	2007	incl. 300,000 TCZK	-	202,756	-
ING Bank N. V.	Loan	2007	300,000 TCZK	-	-	-
	Overdraft	2007	incl. 300,000 TCZK	-	297,331	-
Zentiva, a. s. Hlohovec						
Tatra banka – EXIM	Loan	2007	270,000 TSKK	-	215,616	-
Tatra banka	Overdraft	2007	300,000 TSKK	-	-	-
	Overdraft	2007	50,000 TSKK	-	-	-
	Overdraft	2007	50,000 TSKK	-	-	-
Zentiva Pharma						
Citibank Moscow	Overdraft	2007	6,000 TUSD	14,693 TRUB	11,652	-
Zentiva N.V.						
ING	Loan	2008	400,000 TCZK	-	400,000	-
ABN/AMRO	Loan	2008	400,000 TCZK	-	400,000	-
Komerční banka, a.s.	Loan	2008	400,000 TCZK	-	400,000	-
Česká spořitelna, a.s.	Loan	2008	400,000 TCZK	-	400,000	
CITIBANK a.s.	Loan	2008	400,000 TCZK	-	400,000	-
	Overdraft	2007	200,000 TCZK		252,332	
	Overdraft	2007	10,000 TEUR	-		-
Zentiva PL						
CITIBANK	Overdraft	2007	1,000 TPLN	-	-	-
Current part				-	3,709,350	-
Non – current part				-	-	-
Total Bank Loans						3,709,350

The Group had a total overdraft facility available of CZK 1,932 million with 6 banks of which CZK 894 million was drawn as at 31 December 2006.

The interest expense charged to income statement consists of (in CZK thousand):

	2007	2006
Long-term bank loans	275,403	51,328
Short-term bank loans and short-term notes	151,821	65,522
Interest charges – liability to minorities from put/call option [1]	115,511	-
Total	542,735	116,850

[1] For details see Note 20

Debt covenants

At 31 December 2006, long-term borrowings in the total amount of CZK 1,000 million were reclassified as current in the accompanying consolidated financial statements. The Group has started to negotiate changes in the covenants namely conditions related to turnover of receivables in December 2006 however final agreement was reached only in January 2007 necessitating classification of the related loan to current.

In 2007 a loan in the amount of CZK 2,000 million was refinanced. A new syndicate loan in the total amount of EUR 550 million has been drawn down in EUR and CZK. Zentiva, a.s. Prague and Zentiva, a.s. Hlohovec are guarantors of this loan. The following covenants were applicable in Zentiva N.V. syndicate loan contract as at 31 December 2007:

- Leverage defined as ratio of Consolidated Total Net Borrowings to Adjusted Consolidated EBITDA shall not exceed 4.75;
- Interest cover – ratio of Consolidated EBITDA to Consolidated Net Finance Costs shall not be lower than 4.5;
- Guarantor cover – ratio of Aggregate EBITDA of the Guarantors to Consolidated EBITDA of the Group shall be 55% or more.

Zentiva N.V. met the above described loan covenants as at 31 December 2007.

The above listed bank loans bear floating interest rates. The following table shows the average floating interest rates for above stated bank loans in 2007 and 2006:

Related currency	Average year interest rate in %	
	2007	2006
CZK	3.56	2.64
EUR	4.68	3.40
SKK	4.90	4.36
USD	5.85	5.53
PLN	5.22	4.51
CHF	2.98	1.82
GBP	6.45	5.20
HUF	8.43	-

Assets pledged as security

There were no assets pledged as security as at 31 December 2007 and at 31 December 2006.

19. ACCOUNTS PAYABLE

As at 31 December 2007 and 2006 trade and other payables are comprised of the following (in CZK thousand):

	31 December 2007	31 December 2006
Trade payables	1,742,405	968,804
Wages and social security	410,371	255,831
Total accounts payable	2,152,776	1,224,635

20. FINANCIAL LIABILITY TO MINORITIES

The financial liability to minorities in total amount of CZK 4,070,069 thousand represents:

- the deferred payment liability for the remaining 25% stake in the Turkish acquisition which is covered by a put/call option as per the shareholder's agreement of EUR 153,250 thousand (CZK 4,400,574 thousand)
- net of foreign currency year end conversion gain of CZK 321,059 thousand
- plus related interest of CZK 115,511 thousand and

- less contingent consideration receivable of TRY 8,063 thousand (CZK 124,957 thousand)

The valuation of the compensation to be paid for this stake under the put/call option arrangements is based on the same budgeted figures as those which are used for goodwill impairment test and intangibles impairment analysis. There is a lock up period that applies 24 months after the acquisition. Therefore, the liability has been classified as long term, likely to be payable in 2009. The liability bears fixed interest at a market rate. See also Notes 8 and 10 for more detail.

21. ACCRUALS AND OTHER CURRENT LIABILITIES

Accruals and Other Current Liabilities as at 31 December 2007 are mainly comprised of CZK 109,964 thousand relating to accruals for unused vacation and bonuses and for deferred income and outstanding invoices of CZK 533,512 thousand. As at 31 December 2007 CZK 46,511 thousand relates to liabilities to former Zentiva a.s., Prague minority shareholders which is caused by the fact that Zentiva N.V. had increased it's share in Zentiva, a.s. Prague to 100% in 2005.

Accruals and Other Current Liabilities as at 31 December 2006 are mainly comprised of CZK 66,125 thousand relating to accruals for unused vacation and bonuses and deferred income and outstanding invoices of CZK 518,267 thousand. As at 31 December 2006 CZK 49,282 thousand relates to liabilities to former Zentiva a.s., Prague minority shareholders which was caused by the fact that Zentiva N.V. had increased it's share in Zentiva, a.s. Prague to 100% in 2005.

22. PROVISIONS AND OTHER LONG TERM LIABILITIES

As at 31 December 2007 provisions and other long term liabilities mainly include employee benefit liability in the total amount CZK 271,955 thousand.

The major part amounting CZK 221,432 thousand presents provision for employment termination benefits related to the acquired Eczacibasi Generic Pharmaceuticals operations. Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years (20 years for women) of service and reaches the retirement age (58 for women and 60 for men).

Based on collective labour agreement a constructive obligation for retirement and anniversaries awards rose. The Group provides unfunded defined benefits plan for these benefits. The Group´s obligation in respect of these benefits amounts CZK 50,523 thousand as at 31 December 2007.

23. COMMITMENTS AND CONTINGENCIES

Operating lease commitments - group as lessee

Future minimum rentals payable under non-cancellable operating leases are as follows as at 31 December (in CZK thousand):

	2007		2006	
	Car rental	Other rental	Car rental	Other rental
Within one year	308,765	95,765	191,413	75,740
After one year but not more than five years	154,943	356,179	214,682	324,848
More than five years	-	75,576	-	83,081
Total	463,708	527,520	406,095	483,669

As at 31 December 2007 and 2006 the Group used 1,809 and 1,171 cars, respectively, under operating lease contracts. The total amount of car rental expense in 2007 and 2006 was CZK 257,009 thousand and CZK 193,724 thousand, respectively.

Finance lease and hire purchase commitments

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows (in CZK thousand):

	2007		2006	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	10,292	9,521	15,617	13,659
After one year but not more than five years	3,421	3,339	17,868	16,760
Total minimum lease payments	13,713	-	33,485	-
Less lease amounts representing financial charges	(853)	-	(3,066)	-
Present value of minimum lease payments	12,860	12,860	30,419	30,419

A bargain purchase option is included within these leasing contracts which results in their classification as capital leases. Leasing period for cars is 36 or 48 months.

Capital and investment commitments

As at 31 December 2007, contracted commitments related to fixed assets and investment projects are as follows (in CZK thousand):

	Due in 2010	Due in 2009	Due in 2008
Zentiva, a.s. Prague	-	-	110,773
Zentiva S.A. Bucharest	-	-	7,836
Total commitments	-	-	118,609

Guarantee Provided

As at 31 December 2007 the Group had in place usual operating guarantees in the normal course of business.

Environmental claims

Management believes that the Group companies generally comply with local regulations and any potential environmental contingencies would not significantly impact the Group operations.

Legal claims

The Group is involved in a number of legal proceedings incidental to the normal conduct of its business. Management does not believe that aggregate liabilities relating to such proceedings are likely to be material to the financial statements as at 31 December 2007 and 2006.

In April 2002 Zentiva, a.s. Prague received a legal claim from ČSOB in the amount of CZK 97,942 thousand related to the mutual offset of receivables and payables between Zentiva, a.s. Prague and Chemapol, a.s.. Chemapol, a.s. is subject to bankruptcy proceedings and the bank claims compensation of losses related to the offset of receivables that were pledged to the Bank. A legal proceeding took place on 20 January 2003 by the city court in Prague which resulted in the holding of further proceedings for an indefinite period. On 26 April, 2004 and 7 December, 2004 legal proceedings settled this matter in favour of Zentiva a.s. On 30 March, 2005 ČSOB appealed to the Supreme Court in Prague. The Supreme Court reversed the judgment and sent the case back to the first instance hearing. On 17 July 2006 a constitutional complaint was lodged by Zentiva, a.s. Prague.

The assets held for sale as of 31 December 2005 (land in Bucharest) with a carrying value of CZK 462,621 thousand were sold to third parties for RON 69,922 thousand, resulting in a profit of CZK 92,442 thousand in 2006. Subsequent to the sale and prior to 31 December 2006 the legal validity of the sale was challenged by another third party based on a legal claim on a land ownership issue. The purchasers paid the whole purchase price, out of which RON 35,780 thousand has been deposited into an escrow account, with the release from the escrow account being subject to the final outcome of the legal claim. The litigation pending as at 31 December 2006 was won by the Zentiva S.A. in 2007. The escrow account was unblocked in August 2007, when the sale transaction was formally completed and the Company cashed the substantial part of the selling price. A further action was initiated by the third party in 2007 for the same legal claim. The Company considers that the action being taken in relation to this matter will not succeed and there is no provision or allowance made in the financial statements in relation to this matter.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise bank loans and overdrafts, finance leases and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The Group also enters into derivative transactions, primarily interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The risk analysis is assessed with the help of a risk map which is updated on regular basis. When the risk is interpreted to be running over the acceptable level, the Group enters derivative transactions.

(ALL AMOUNTS IN CZK THOUSAND)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to keep maximum 80% of its borrowings at fixed rates of interest. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2007, after taking into account the effect of interest rate swaps, approximately 60.4% of the Group's 5 year term borrowings (in amount of CZK 10,201,684 thousand) from the syndicate loan denominated in CZK are at a fixed or corridor rate of interest. No interest rate swaps were in place as of 31 December 2006.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) taking into account the opened interest rate swap positions. There is no impact on the Group's equity.

As at 31 December 2007

	Effect on profit before tax	
Base rate	Increase by 25 basis points	Decrease by 25 basis points
PRIBOR	(34,204)	34,204
EURIBOR	(7,480)	7,480
Others	(592)	592

The financial liability to minorities was not included in the above sensitivity analysis as it bear fixed interest market rate (see Note 20 for more detail).

As at 31 December 2006

	Effect on profit before tax	
Base rate	Increase by 25 basis points	Decrease by 25 basis points
PRIBOR	(8,703)	8,703
Others	(570)	570

Foreign currency risk

The group has part of its loans denominated in EUR and also has put/call option financial liability to minorities which is EUR based. There is also currency risk connected with transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. It is the Group's policy to negotiate the terms of the derivatives to match the terms of the hedged item to maximize the effectiveness.

The following table demonstrates the sensitivity to a reasonably possible change in the transaction currency exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the foreign exchange rates of foreign currency denominated monetary assets and liabilities) as at the balance sheet date. There is no impact on the Group's equity.

(ALL AMOUNTS IN CZK THOUSAND)

As at 31 December 2007

Functional currency	Transaction currency	Effect on profit before tax	
		Increase in FX rate by + 1%	Decrease in FX rate by - 1%
Companies with functional currency CZK			
	EUR	(69,131)	69,131
	RON	3,590	(3,590)
	SKK	27,248	(27,248)
	USD	1,796	(1,796)
	TRY	17,597	(17,597)
	Other currencies	103	(103)
Companies with functional currency SKK			
	CZK	4,563	(4,563)
	EUR	5,576	(5,576)
	PLN	6,527	(6,527)
	RON	9,182	(9,182)
	USD	12,308	(12,308)
	Other currencies	1,107	(1,107)
Companies with other functional currencies			
	EUR	(2,464)	2,464
	USD	(11,435)	11,435

As at 31 December 2006

Functional currency	Transaction currency	Effect on profit before tax	
		Increase in FX rate by + 1%	Decrease in FX rate by - 1%
Companies with functional currency CZK			
	EUR	(22,745)	22,745
	RON	4,107	(4,107)
	SKK	29,134	(29,134)
	Other currencies	(1,114)	1,114
Companies with functional currency SKK			
	CZK	2,828	(2,828)
	EUR	4,387	(4,387)
	PLN	6,355	(6,355)
	RON	5,545	(5,545)
	USD	14,512	(14,512)
	Other currencies	116	(116)
Companies with other functional currencies			
	EUR	1,026	(1,026)
	USD	(9,352)	9,352

Credit risk

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all external customers who wish to trade on credit terms are subject to credit verification procedures. Credit limit is set up for separate territories and it is based on budgeted future sales and receivables turnover days. The customer is automatically blocked for trading after having overdue receivables more than the approved limit. Created provisions to receivables are also deducted from credit limit of the territory. Receivable balances are monitored on an ongoing basis with the intention to keep the Group's exposure to bad debts under control. The maximum exposure is the carrying amount as disclosed in Note 13. There are no significant concentrations of credit risk within one customer in the Group, however the Group is aware of the fact that significant credit risk concentration is connected with every territory because it's business is quite sensitive to the reimbursement system in given area as well as the overall local territory economic conditions.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for sale financial investments, loan notes and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

(ALL AMOUNTS IN CZK THOUSAND)

Liquidity risk

The Group uses a standard tool in accounting system called cash management forecast to monitor its risk related to a shortage of funds and it's overall estimated cash position.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities at year end based on contractual undiscounted payments.

Year ended 31 December 2007

	On demand[1]	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest bearing loans and borrowings[2]	-	1,415,052	2,338,961	15,714,286	19,468,299
Financial liability to minorities	-	-	-	4,541,561	4,541,561
Accounts payable	381,461	1,266,258	119,759	-	1,767,478
Accounts payable with renegotiated terms[3]	390,615	-	-	-	390,615
Other liabilities	-	8,676	1,616	3,421	13,713

[1] Out of this value amount of CZK 69,512 thousand represent invoices which were obtained by company in January 2008 but have due date before year end 2007.
2 Based on syndicated loan agreement the company should prepay the amount of the net proceeds received or recovered under the acquisition agreements that exceeds EUR 5,000 thousand (or its equivalent). Therefore the post-closing amount received on March 7, 2008 relating to Turkish acquisition will be used to partly repay the loan. This fact is not reflected in the table above. See Note 26 for details.
[3] Payables to which maturity date was renegotiated subsequent to the year end 2007. CZK 30,996 thousand is payable in year 2008, the remaining part in year 2009.

Year ended 31 December 2006

	On demand[1]	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest bearing loans and borrowings	-	1,493,734	2,249,965	-	3,743,699
Accounts payable	151,388	1,003,339	69,101	1,322	1,225,150
Other liabilities	-	3,904	11,713	17,868	33,485

[1] Out of this value amount of CZK 71,754 thousand represent invoices which were obtained by company in January 2007 but have due date before year end 2006.

Capital management

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

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

No changes were made in the policies or processes during the years end 31 December 2007 and 31 December 2006 although the objectives were changed in year 2007 to meet external syndicate loan requirements.

The Group currently monitors capital using covenants set up by banks which are described in detail in Note 18.

25. RELATED PARTY DISCLOSURES

The Group companies purchase products and receive services from related parties in the ordinary course of business. All intercompany purchases and balances between consolidated subsidiaries are eliminated in the consolidated financial statements.

Balances related to the trade and other ordinary transactions with related parties (in CZK thousand):

Related party	Year	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ATC Corporate Services (Netherlands) B.V. [1]	2006	-	10,297	-	976
Sanofi-Aventis Deutschland	2006	8,156	-	-	-
ATC Corporate Services (Netherlands) B.V. [1]	2007	-	6,865	-	588
Winthrop Medicaments (Sanofi Aventis group)	2007	-	7,888	-	-
Chinoin Zrt. (Sanofi Aventis group)	2007	-	211,924	-	-
Sanofi - Aventis Zrt.	2007	-	1,456	-	5,839
Sanofi - Aventis Deutschland	2007	754	15,658	-	-
Sanofi - Aventis France	2007	5,507	-	5,304	-
Sanofi - Aventis Budapest	2007	-	84,675		3,380
SANOFİ AVENTIS İLAÇLARI LTD.ŞTİ	2007	19,208	-	3,372	-
EIS ECZACIBASI İLAÇ SANAYİ VE TİCARET A.Ş. [2,3]	2007	-	-	1,634,720	4,070,069
EIS ECZACIBASI İLAÇ SANAYİ VE TİCARET A.Ş. [3]	2007	183,313	247,521	197,136	587,791
ECZACIBASI İLAÇ PAZARLAMA A.Ş. [3]	2007	147,539	40,773	86,680	40,304
ECZACIBAŞI İLAÇ TİCARET A.Ş. [3]	2007	109,038	-	72,387	-
EKOM ECZACIBAŞI DIŞ TİCARET A.Ş.[3]	2007	106,718	4,490	13,401	1,340
ECZACIBAŞI-BAXTER HASTANE ÜRÜNLERİ[3]	2007	-	6,024	-	7,632
ECZACIBAŞI BEIRSDORF KOZMETİK ÜRÜNLERİ[3]	2007	-	5	-	5
ECZACIBAŞI YAPI GEREÇLERİ SAN.TİC.A [3]	2007	-	-	-	137
VİTRA KARO SANAYİ VE TİCARET A.Ş. [3]	2007	-	1	-	1
ESİ ECZACIBAŞI SİGORTA ACENTELİĞİ A[3]	2007	-	825	-	898
EKY ECZACIBAŞI KORAMIC YAPI KİMYASA [3]	2007	-	154	-	89
ECZACIBAŞI HOLDİNG A.Ş. [3]	2007	-	30,705	-	28,143
ECZACIBAŞI BİLİŞİM SAN VE TİC A.Ş. [3]	2007	-	10,841	-	2,730
GİRİŞİM PAZ. TÜK. ÜRÜN.SAN. VE TİC. [3]	2007	2,185	1,866	1,744	833

[1] ATC Corporate Services is an external agency hired in the Netherlands from which the Company outsources general administration at the Zentiva Headquarters. ATC representative Johannes Scholts is a member of the board of directors of the Company.

[2] For details see Notes 14 and 20

[3] Mr. Bülent Eczacibaşi is a member of the board of directors of the Company and also member of the board of directors of EIS ECZACIBASI İLAÇ SANAYİ VE TİCARET A.Ş. (EIS). The other mentioned companies are subsidiaries to a parent company EIS.

There are no interest-bearing related party loans as of 31 December 2007 and 31 December 2006.

Remuneration of directors and management

Remuneration of the directors and management of the Group (in CZK thousand):

	2007	2006
Directors of Zentiva N.V.		
Salaries	34,495	33,789
Bonuses, benefits and other remuneration	23,467	22,275
Post-employment benefits[1]	751	-
Share based payments	8,703	7,405
Executive Managers & Extended Executive Managers		
Salaries	35,815	38,878
Bonuses, benefits and other remuneration	13,815	23,144
Post-employment benefits[1]	696	-
Share based payments	11,906	10,614
Key Management		
Salaries	65,877	55,521
Bonuses, benefits, termination and other remuneration	29,800	20,553
Post-employment benefits[1]	1,648	-
Share based payments	17,399	12,851
Total average number of key management members and directors	41	39

[1] expenses recognized in relation to retirement award, based on collective labour agreement or local law requirements

The remuneration of directors and key management members of the Group is as follows:

The annual compensation of the Key Managers employed by the Group as at 31 December 2007 was CZK 96 million in total. Their bonus entitlement can vary from 20% to 50% of the annual basic salary. The annual compensation of 19 Executive Managers, Extended Executive Managers and Directors was CZK 108 million (usually paid in EUR). Their bonus entitlement can vary from 20% to 50% of the basic annual salary. The annual compensation to the Non-executive Directors was CZK 2.5 million in total.

The annual compensation of the Key Managers employed by the Group as at 31 December 2006 was CZK 76 million in total. Their bonus entitlement can vary from 20% to 50% of the annual basic salary. The annual compensation of 18 Executive Managers, Extended Executive Managers and Directors was CZK 118 million (usually paid in EUR). Their bonus entitlement can vary from 20% to 50% of the basic annual salary. The annual compensation to the Non-executive Directors was CZK 9.6 million in total.

There are also share option programs for key middle managers and executives of the Group. They receive fringe benefits such as cars for personal use, insurance, pension contribution or housing allowances (see below).

Share option plans

In July 2005 a new share option plan was introduced for key managers in the Group. In total options for 440,000 shares were granted. The vesting date for the share options is 1 July 2008 and expiration date is 1 July 2011. The vesting of the options is dependent on the total shareholders return (TSR) of the Group as compared to a selected group of the PX Index companies traded on the Prague Stock Exchange. Employees must remain in service for a period of three years from 1 July 2005. The fair value of each option was set up by an external valuation company in the amount of CZK 192.35 using the Monte Carlo model with the following assumptions: strike price CZK 869, risk free rate 2.8% pa, dividend yield 1.4% pa, volatility 30% pa (based on last 6 months share price history), withdrawal rate (post vesting) 10% pa, early exercise factor 40%.

In July 2006, a further share option plan was introduced for managers in the Group. In total options for 325,000 shares were granted. The vesting date for the share options is 14 July 2009 and expiration date is 14 July 2012. Exercise price for the share option in the amount of CZK 1,014 equals to the share price on the stock exchange at the grant date. The vesting of the options is dependent on the total shareholders return (TSR), measured based on a development of the share price, of the Group as compared to a selected group of the PX Index companies traded on the Prague Stock Exchange. Employees must remain in service for a period of three years from the date of grant. The fair value of each share option was set up by an external valuation company in the amount of 231 CZK using the Monte Carlo model with the following assumptions: strike price 1,014 CZK, risk free rate 3.89% pa, dividend yield 1.00% pa, volatility 30% pa, withdrawal rate (post vesting) 15% pa, early exercise factor of 50%.

(ALL AMOUNTS IN CZK THOUSAND)

In 2007 the share option plan was extended to the middle management level. In total 350,000 share options were granted in July 2007. The vesting date for the share options is 9 July 2010 and expiration date is 9 July 2013. Exercise price for the share option in the amount of CZK 1,417 equals to the share price on the stock exchange at the grant date. The options vest if and when the total shareholders return (TSR) of the Group increases by 10% per annum. Employees must remain in service for a period of three years from the date of grant. The fair value of each share option was set up by an external valuation company in the amount of 278 CZK using the Monte Carlo model with the following assumptions: strike price 1,417 CZK, risk free rate 4.60% pa, dividend yield 0.9% pa, volatility 26% pa, withdrawal rate (post vesting) 15% pa, early exercise factor of 50%.

Total expenses in the amount of CZK 50,622 thousand and CZK 40,725 thousand were recognized in respect of share options in the years 2007 and 2006 respectively, against equity.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

SHARE OPTIONS	2007 No.	2007 WAEP	2006 No.	2006 WAEP
Outstanding at 1 January	765,000	931	440,000	869
Granted during the year	350,000	1,417	325,000	1,014
Forfeited during the year	(99,501)	1,032	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	1,015,499	1,088	765,000	931
Exercisable at 31 December	-	-	-	-

Other

As at 31 December 2007 and 2006 according to the Company's share register, Directors, Executive Managers and Extended Executive Managers of the Company held 2,204,412 shares and 2,262,780 shares of the Company, respectively.

There were no loans, guarantees or similar benefits granted to members of statutory bodies and directors in any Group company in 2007 and 2006. The executive and key middle management can use cars for personal purposes, other benefits include life and injury insurance and pension contributions to a fund for directors, executive management and key managers. Other benefits-in-kind such as housing are provided on an occasional basis.

26. EVENTS AFTER BALANCE SHEET DATE

During January 2008 and March 2008, there were subsequent changes in the shareholders structure of the Company – for more details refer to Note 1.

On March 6, 2008 Zentiva announced that the Company and EİS ECZACIBAŞI İLAÇ SANAYİ ve TİCARET A.Ş. ("EIS") reached agreement on the amount of the post-closing adjustment, as set out in the Share Purchase Agreement (the "SPA"), dated March 2, 2007, regarding the acquisition by Zentiva of 75% of Eczacibasi Generic Pharmaceuticals. The agreed-upon post-closing adjustment amount was received on the company's bank account on March 7, 2008.

27. FINANCIAL INSTRUMENTS

As at 31 December 2007 Zentiva N.V. was bound in following swap transactions to hedge interest rates

Bank	Final maturity	Nominal value of the underlying liability in CZK thousand	Description	Loss/gain as of 31 December 2007
Fortis Bank, Brussels	September 2012	560,000	4.32%, corridor is stated between 3.17% and 5%	(1,281)
ABN Amro Bank, United Kingdom	September 2012	500,429	if the relevant rate is <3.70% then the floating rate shall be 3.70%; if the relevant rate is between 3.75% and 4.65% then the floating rate shall be the relevant rate; if the relevant rate is between 4.65% and 4.95% then the floating rate shall be 4.65%; if the relevant rate is greater than 4.95% then the floating rate shall be relevant rate -0.30%	(716)
BNP PARIBAS	September 2012	168,060	Max (0; relevant rate- 4.75%) + Max (0; 3%-relevant rate)	(192)
Komercni banka, a.s.	September 2012	567,000	(3.98%+n/N*2.5%), corridor 3-5%, n- number of fixation dates out of corridor, N- total dates of fixation	(4,376)
Ceska sporitelna, a.s.	September 2012	366,680	3.6% for first quarter; than previous quarter + max(0; relevant rate - 4.5%) + max (0; 3.5%-relevant rate)	(5,059)
Citibank, N.A. London	September 2012	4,000,000	If relevant rate is lower than 6%, then relevant rate - 0.3% p.a., subject to minimum 3.5% p.a. and maximum 4.70% p.a.; If relevant rate is greater than 6%, then relevant rate -1.30% p.a.	13,759
Total value as at December 2007				2,135

As at 31 December 2006 no interest rate swap contracts were open.

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the group's financial instruments that are carried out in financial statements.

	Carrying amount		Fair value	
	2007	2006	2007	2006
Cash and cash equivalents	2,213,613	898,713	2,213,613	898,713
Cash restricted more than 3 months	13,970	290,785	12,890	267,561
Derivative financial instruments	2,135	-	2,135	-
Trade receivables	5,992,393	5,216,746	5,992,393	5,216,746
Long term receivables	8,361	1,555	7,721	1,432
Trade payables	1,742,405	968,804	1,742,405	968,804
Obligations under finance leases	12,680	30,149	12,703	29,823
Interest bearing loans and borrowings	16,797,846	3,709,350	16,806,459	3,678,593
Financial liability to minorities	4,070,069	-	4,093,561	-

For financial instrument with maturity date less than three months the assumption that carrying value is approximately equal to fair value was used. The fair value of financial instruments with maturity date over three months was calculated by discounting the expected future cash flows at prevailing interest rates.

Section C
Company financial statements

(ALL AMOUNTS IN CZK THOUSAND)

COMPANY FINANCIAL STATEMENTS

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007	2006
Revenues			
Dividend income	13	1,167,372	1,353,116
Interest income	3	85,079	46,014
Other revenues	4	85,057	82,641
Impact of SL Pharma liquidation	9	970,316	-
Total revenues		2,307,824	1,481,771
Expenses			
Employee benefit costs	5	(46,008)	(56,318)
Financial income/expenses, net	6	507,414	71,202
Interest expenses	7	(490,916)	(96,187)
Other expenses	8	(75,283)	(38,434)
Total expenses		(104,793)	(119,737)
Profit before tax	16	**2,203,031**	**1,362,034**
Income tax expenses		-	-
Net profit attributable to equity holders		**2,203,031**	**1,362,034**

(ALL AMOUNTS IN CZK THOUSAND)

BALANCE SHEET AS AT 31 DECEMBER 2007

Balance Sheets as at 31 December	Notes	2007	2006
Assets			
Non-current assets:			
Investments in subsidiaries	9	25,018,770	10,507,150
Total non-current assets		25,018,770	10,507,150
Current assets:			
Related parties receivables	13	4,173,536	1,325,791
Prepayments and other current assets		29,046	13,348
Cash and cash equivalents	10	206,747	58,028
Total current assets		4,409,329	1,397,167
Total assets		**29,428,099**	**11,904,317**
Equity and liabilities			
Equity			
Share capital	11	12,112	12,112
Share premium	11,12	2,514,784	2,514,784
Treasury shares	11,12	(182,592)	(122,905)
Share options granted	13	103,101	52,479
Retained earnings	12	6,562,353	4,796,539
Total equity		9,009,758	7,253,009
Non-current liabilities:			
Interest bearing loans and borrowings	14	13,172,128	-
Financial liability to minorities	13	4,070,069	-
Total non-current liabilities		17,242,197	-
Current liabilities:			
Accounts payables		7,410	1,799
Related party payables	13	880,385	2,331,821
Accruals and other current liabilities	15	95,883	65,356
Short term notes	14	2,192,466	2,252,332
Total current liabilities		3,176,144	4,651,308
Total liabilities and equity		**29,428,099**	**11,904,317**

(ALL AMOUNTS IN CZK THOUSAND)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
Cash flows from operating activities:		
Profit before tax	2,203,031	1,362,034
Adjustment for:		
Dividends received	(1,167,372)	(1,353,116)
Impact of SL Pharma liquidation	(970,316)	-
Net interest costs	405,837	50,173
Other non-cash (gains)/charges, net	(397,575)	68,061
Operating cash flows before working capital changes	73,605	127,152
Changes in:		
Accounts receivables	(19,242)	(6,748)
Accounts payables	24,395	(12,123)
Cash generated from operations	78,758	108,281
Interest paid	(378,618)	(81,556)
Net cash flows used in operating activities	**(299,860)**	**26,725**
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(13,173,994)	(1,107,909)
Disposals of subsidiary	42,010	-
Dividends received	1,212,653	1,220,410
Interest received	85,079	28,282
Net cash flows (used in) provided by investing activities	**(11,834,252)**	**140,783**
Cash flows from financing activities:		
Treasury shares	(59,687)	(122,905)
Proceeds from borrowings	12,779,735	(1,997,745)
Dividends paid	(437,217)	(361,582)
Net cash flows provided by/(used in) financing activities	**12,282,831**	**(2,482,232)**
Net increase in cash and cash equivalents	148,719	(2,314,724)
Cash and cash equivalents at the beginning of the year	58,028	2,372,752
Cash and cash equivalents at the end of the year	206,747	58,028

(ALL AMOUNTS IN CZK THOUSAND)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

	Attributable to equity holders of the Company					
	Share capital	Share premium	Treasury shares	Share options	Retained earnings	Total
Balance as at 31 December 2005	12,112	2,514,784	-	11,754	3,796,087	6,334,737
Net profit 2006	-	-	-	-	1,362,034	1,362,034
Treasury shares purchased	-	-	(122,905)	-	-	(122,905)
Dividends paid	-	-	-	-	(361,582)	(361,582)
Share options granted [1]	-	-	-	40,725	-	40,725
Balance as at 31 December 2006	12,112	2,514,784	(122,905)	52,479	4,796,539	7,253,009
Net profit 2007	-	-	-	-	2,203,031	2,203,031
Treasury shares purchased	-	-	(59,687)	-	-	(59,687)
Dividends paid	-	-	-	-	(437,217)*	(437,217)
Share options granted [1]	-	-	-	50,622	-	50,622
Balance as at 31 December 2007	12,112	2,514,784	(182,592)	103,101	6,562,353	9,009,758

* in 2007 the Company has paid dividends in amount of CZK 11.5 per share

[1] Share options granted to management see Note 13.

(ALL AMOUNTS IN CZK THOUSAND)

1. CORPORATE INFORMATION

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

The shareholders of the Company who hold a 5% or more interest in the Company's outstanding shares as at 31 December 2007 and 2006:

	2007	2006
Sanofi-Aventis Group	24.9%	24.9%
Generali PPF Group N.V. and parties acting in agreement with it	15.3%	12.3%
Management and employees	6.0%	6.1%
Other Institutional and Private investors	53.8%	56.7%

As of 17 January 2008 Generali PPF Group N.V. and parties in agreement with announced an increase of it's share to 19.1%. Further, Fervent Holdings Limited notified that as of 26 March 2008 held directly and indirectly 7.6% of shares. Therefore the share of other Institutional and Private investors as per the Company's share register decreased to 42.4%.

The directors of the Company as at 31 December 2007:

Jiří Michal, Chairman	Director A*
Petr Šulc	Director A*
Lars Ramneborn	Director A*
Urs Kamber	Director B*
Johannes Scholts	Director B*
Brad Wilson	Director B*
Hanspeter Spek	Director B*
Jean-Michel Levy	Director B*
Bülent Eczacibaşi	Director B*

* According to the Articles of Association Director A represents an Executive Director, Director B is a Non-executive Director.

Mr. Bülent Eczacibaşi joined the Board of Directors as per 1 July 2007.

The financial statements of the Company for the year ended 31 December 2007 were authorized for issuance by directors on 25 April 2008.

The financial statements of the Company for the year ended 31 December 2007 will be presented for approval at the Annual General Meeting scheduled to be held on 5 June 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Accounting convention

The financial statements of the Company have been prepared in accordance with International Financial Reporting

Standards ("IFRS") as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

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

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

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

b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that the Company has adopted those new/revised standards mandatory for financial years beginning on or after 1 January 2007.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment - Presentation of Financial Statements
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

The principal effects of these changes are as follows:

IFRS 7 - Financial Instruments: Disclosures
This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 - Presentation of Financial Statements
This amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures are shown in Note 17.

IFRIC 8 - Scope of IFRS 2
This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee share option scheme, the interpretation had no impact on the financial position or performance of the Company.

IFRIC 9 - Reassessment of Embedded Derivatives
IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Company.

IFRIC 10 - Interim Financial Reporting and Impairment
IFRIC Interpretation requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Company does not apply IAS 34 Interim Financial Reporting the interpretation had no impact on it.

c) Adoption of International Financial Reporting Standards

In the years 2007 and 2006 the Company has applied consistently International Financial Reporting Standards that were applicable at 31 December 2007 and 2006.

The Company has not applied the following IFRSs and IFRIC Interpretations that have been issued/ revised but are not yet effective:

- IFRS 8 Operating Segments (effective date 1 January 2009)
- IFRS 3 Business Combinations (effective date 1 January 2009), revised
- IAS 1 Presentation of Financial Statements (effective date 1 January 2009), revised
- IAS 23 Borrowing Costs (effective date 1 January 2009), revised
- IAS 27 Consolidated and Separate Financial Statements (effective date 1 January 2009), amended
- IFRIC 11 IFRS 2 - Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRS 2 Share-based Payment (effective date 1 January 2009), amended

The Company expects that the adoption of the above pronouncements will have no significant impact on the financial statements in the period of initial application. IFRIC 12, 13 and 14 do not apply to the Company activities.

d) Functional and presentation currency

Based on the primary economic environment in which the Company operates and taking into account the other factors as described in IAS 21 (revised), the functional currencies for Zentiva N.V. was changed from EUR to CZK (Czech crown) as of 1 July 2004 prospectively. Zentiva N.V. translated all items from EUR to CZK using the exchange rate as of 30 June, 2004. The resulting translated amounts of non-monetary items are treated at their historical costs.

e) Foreign currency translation

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

f) Investments in subsidiaries

All investments are accounted at cost. Investments are initially recognized at fair value of the consideration given, including acquisition charges associated with the acquisition of the investment. Distributions received in excess of profits arising after the acquisition are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the Company includes the amount of that adjustment in the cost of the combination at the acquisition date when the adjustment is probable and can be measured reliably. This adjustment is not included in the cost of the combination at the time of initially accounting for the combination if it either is not probable or cannot be measured reliably. If that adjustment subsequently becomes probable and can be measured reliably, the additional consideration is treated as an adjustment to the cost of the combination. The valuation of the contingent consideration is based on the fair value of the adjustment. If the estimate needs to be revised, the cost of the business combination is adjusted accordingly including foreign currency translation impact, when applicable.

The carrying amounts of investments are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is estimated as the higher of net selling price and value in use. Where carrying values exceed the estimated recoverable amount the assets are written down to their recoverable value. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such condition exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in estimate used to determine the asset's recoverable amount since the last impairment loss was recognized. Such reversal is recognized to profit or loss and the recoverable amount shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized.

g) Cash

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

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

h) Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium at issuance.

Borrowing costs generally are expensed as incurred. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds including amortization of discounts, premium and issue costs, if any.

i) Costs related to the initial public offering (IPO)

Costs of new equity issued are deducted from equity only to the extent that those are incremental and related to the new equity issued. Transaction costs related to the issuance of new shares are directly charged to equity, net of any related tax benefits. These expenses are restricted to incremental external expenses such as registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. Costs related to the listing of new or already existing shares are expensed. Any ongoing costs, such as annual listing fee, or costs not related to the IPO as such are expensed.

j) Revenue

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

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

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

k) Income tax

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

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

(ALL AMOUNTS IN CZK THOUSAND)

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

l) Employee benefits, share based payments

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

The Company grants rights to equity instruments by means of share option plans as consideration for the services received to its and its subsidiaries key employees. The cost of equity-settled share-based transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using the Monte Carlo model.

The equity-settled transactions is recognized as cost (for Company's employees) or investment (for subsidiary employees), together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative impact recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. No expense/investment is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

m) Contingencies

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

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

n) Subsequent events

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

3. INTEREST INCOME

The interest income charged to income statement consists of:

	2007	2006
Interest income from related parties (Note 13)	77,317	40,187
Interest income from deposit	4,344	2,086
Other	3,418	3,741
Total	**85,079**	**46,014**

(ALL AMOUNTS IN CZK THOUSAND)

4. OTHER REVENUES

Other revenues for the years ended 31 December 2007 and 2006 mainly include revenues from related parties charged under secondment (assignment of personnel to subsidiaries) and centralized services agreements in amount of CZK 82,572 thousand and CZK 76,896 thousand, respectively (see Note 13).

5. EMPLOYEE BENEFIT COSTS

	2007	2006
Wages and salaries	36,372	45,540
Social securities	9,636	10,778
Total	**46,008**	**56,318**

6. FINANCIAL INCOME/EXPENSES, NET

	2007	2006
Foreign currency exchange differences	(555,075)	(71,898)
Bank charges	47,776	696
Financial costs – related parties	2,020	-
Other	(2,135)	-
Total	**(507,414)**	**(71,202)**

7. INTEREST EXPENSES

The interest expense charged to income statement consists of:

	2007	2006
Interest expense from related parties (Note 13)	17,631	16,663
Interest charges – financial liability from put/call option (see Note 13)	115,511	-
Interest expense from loans	357,774	79,524
Total	**490,916**	**96,187**

8. OTHER EXPENSES

Other expenses for the years ended 31 December 2007 and 2006 mainly comprise of legal, accounting, tax, audit and other advisory services, as well as insurance costs. The increase in other expenses balance in year 2007 in comparison with year 2006 is from its majority caused by increased insurance costs, however, most of those insurance costs is recharged to other group companies.

(ALL AMOUNTS IN CZK THOUSAND)

9. INVESTMENTS IN SUBSIDIARIES

Investee	Country	31 December 2007 Cost of acquisition	31 December 2007 Book value	31 December 2006 Cost of acquisition	31 December 2006 Book value	% of ownership in 2007	% of ownership in 2006
Zentiva a.s., Prague	Czech Republic	2,661,931	2,661,931	2,661,931	2,661,931	100.00	100.00
Zentiva a.s., Hlohovec	Slovak Republic	2,736,654	2,736,654	2,781,935	2,781,935	90.84	90.84
SL Pharma- liquidated 2007	Austria	-	-	1,273,583	1,273,583	-	100.00
Venoma Holdings Limited	Cyprus	2,608,736	2,608,736	2,608,736	2,608,736	100.00	100.00
Zentiva S.A.*	Romania	1,130,733	1,130,733	1,130,733	1,130,733	23.93	23.93
Zentiva ApS	Denmark	540	540	540	540	100.00	100.00
Leciva CZ	Czech Republic	97,091	2,260	97,091	2,260	100.00	100.00
Eczacibaşi-Zentiva Saglik Ürünleri	Turkey	15,234,882	15,234,882	-	-	75.00**	-
Eczacibaşi-Zentiva Kimyasal Ürünler	Turkey	551,476	551,476	-	-	75.00**	-
Option plan	Netherlands	91,558	91,558	47,432	47,432	-	-
Total Investments		**25,113,601**	**25,018,770**	**10,601,981**	**10,507,150**	-	-

* Company has control through the Venoma Holdings Limited 50.98% share in Zentiva S.A.
** The ownership interest of 75% was acquired as at 2 July, 2007. At the same time, the seller (Eczacibasi Group) and Zentiva N.V. entered into put/call option agreement that obliges/entitles Zentiva N.V. to purchase remaining 25% of the ownership and the management views this agreement as deferred payment for the minority stake with a contingent consideration element involved.

The Company has acquired 100% ownership in Leciva CZ in 1998. After that Leciva CZ acquired majority share of Zentiva a.s., Prague. In 2000 and 2003 the shares held by Leciva CZ in Zentiva a.s., Prague were sold to Zentiva N.V. and besides that Zentiva N.V. also purchased shares from Zentiva a.s., Prague minority shareholders. This investment was increase to 99.25% as of 31 December 2004. During 2005 Zentiva N.V. acquired remaining portion of the freestanding minority interest in Zentiva, a.s. Prague and the investment in Zentiva, a.s. Prague was increased to 100%. In 2003 the Company has adopted liquidation plan of Leciva CZ as this company is no longer required in the Group structure and impairment charge decreased it's value to CZK 2,206 thousand only.

In August 2003 Zentiva N.V. acquired a 100% share of SL Pharma, an Austrian holding company that was a 69 % shareholder of SLOVAKOFARMA a.s. group (now Zentiva a.s., Hlohovec) and the investment of Zentiva N.V. in Zentiva a.s., Hlohovec was increased to 16.02% as of 31 December 2003. In 2004 and 2005 Zentiva N.V. acquired additional 5.73% and 0.08% of Zentiva a.s., Hlohovec for CZK 113,399 thousand and CZK 783 thousand and increased its total interest to 21.75% and 21.83% as at 31 December 2004 and 2005, respectively. In June 2006 SL Pharma has sold its 69% share in Zentiva a.s., Hlohovec to Zentiva N.V. SL Pharma liquidation process was started in August 2006. SL Pharma was finally dissolved per 28 June 2007. This liquidation has impacted the Company's profit and loss account by amount of CZK 970,316 thousand. This amount consist of CZK 1,273,583 thousand disposed investment value, CZK 2,201,889 thousand ceased receivables and payables (mainly from purchase of Zentiva a.s., Hlohovec shares) and liquidation balance obtained on bank account in amount of CZK 42,010 thousand.

In October 2005 Zentiva N.V. acquired 100% of Venoma Holdings Limited. Venoma Holdings Limited is a holding company which owns a 50.98% interest in Sicomed S.A., a Romanian pharmaceutical company. Following the acquisition, Zentiva N.V. launched a tender offer for the outstanding minority of 49.02% in Sicomed S.A. The tender offer has been outstanding as at 31 December 2005, expiring 19 January 2006. As a result, the Group acquired additional 23.93% stake in Sicomed S.A. The total Group's stake in this subsidiary increased to 74.91% as of this date.

Zentiva ApS was incorporated in 2004 in Denmark.

On 2 July, 2007 Zentiva N.V. acquired a 75% stake of ECZACIBAŞI SAĞLIK ÜRÜNLERİ SANAYİ VE TİCARET A.Ş. and EÖS ECZACIBAŞI ÖZGÜN KİMYASAL ÜRÜNLER SANAYİ VE TİCARET A.Ş. representing generic pharmaceutical part of Eczacibasi group (Turkey) with a put/call option on the remaining 25% stake. The exercise price for both the put option and the call option was established by the shareholder agreement as the highest of 3 calculation formula results which are based either on the original purchase price or on portion of the subsidiaries results in the period since the acquisition until the option is exercised. The option can be exercises as soon as a 24 month lock up period since the acquisition date expires. The original acquisition and the option are linked transactions and the Company has effectively acquired a 100% interest in the new subsidiaries at the date of the business combination on 2 July 2007 as the 25% related consideration based on an original purchase price is assumed to be deferred payment whereas any excess over this amount as a result of subsequent performance of the subsidiary is considered contingent consideration.

(ALL AMOUNTS IN CZK THOUSAND)

The total consideration related to the acquisition amounts to CZK 15,786,358 thousand and includes acquisition costs of both shareholdings, 75% and 25% share. The 75% related consideration includes:

- payment of EUR 459,750 thousand in July 2007 (CZK 13,210,440 thousand)
- post-closing price working capital adjustment of TRY 58,694 thousand accrued in September 2007, later adjusted
- final post-closing price adjustment of TRY 105,479 thousand (CZK 1,666,122 thousand), i.e. TRY 58,694 thousand accrued in September plus TRY 46,785 thousand recorded as at 31 December 2007 when was probable and could be reliably measured. The full amount was collected on 7 March 2008.
- not transferred contracts adjustment amount of TRY 19,199 thousand (CZK 304,490 thousand) related to manufacturing contracts which were not transferred to the purchaser or were transferred but with adverse modifications (immediate compensation of TRY 11,136 thousand received in November plus contingent consideration at TRY 8,063 thousand, expected to be collected in 2008-2010)
- the consideration also includes costs directly attributable to the acquisition of CZK 145,956 thousand.

The consideration for 25% stake as of the 2007 year end is presented in the accompanying balance sheet in the financial liability to minorities. The consideration has been established as deferred payment based on the original purchase price of EUR 153,250 thousand (CZK 4,400,574 thousand); the related earn out contingent consideration as at 31 December 2007 is nil as it has been estimated by the management not to be probable to be paid when the option is exercised.

10. CASH AND CASH EQUIVALENTS

	31 December 2007	31 December 2006
Cash at bank	206,747	58,028
Total cash and cash equivalents	**206,747**	**58,028**

11. SHARE CAPITAL AND SHARE PREMIUM

	31 December 2007	31 December 2006
Share Capital	12,112	12,112
Share Premium	2,514,784	2,514,784
Total Number of Ordinary Shares at 31 December	**38,136,230**	**38,136,230**
Total Number of Shares Issued at 31 December	**38,136,230**	**38,136,230**
Total Number of Treasury shares	**(171,000)**	**(126,000)**

The authorized Euro denominated share capital as at 31 December 2007 and 2006 amounted to € 1,400,000, of which at December 31, 2007, 38,136,230 shares (2006: 38,136,230 shares) of € 0.01 each were issued and paid up. The issued share capital against the exchange rate as of December 31, 2007 amounts to 10,152 TCZK (2006: 10,501 TCZK). In the Company's financial statements the issued share capital is stated at historical exchange rate of 12,112 TCZK.

(ALL AMOUNTS IN CZK THOUSAND)

12. RETAINED EARNINGS/DIVIDENDS PAID AND PROPOSED

Retained earnings available for distribution are based on the financial statements of the Company prepared in accordance with International Financial Reporting Standards as adopted by EU and with Part 9 of the Book 2 of the Netherlands Civil Code. The distributable reserves at 31 December 2007 and 2006 amount to CZK 8,894,545 thousand and CZK 7,188,418 thousand, respectively.

Dividends of CZK 437,217 thousand and CZK 361,582 thousand were paid during the year 2007 and 2006.

13. RELATED PARTY DISCLOSURES

Disclosure for subsidiaries and sub-subsidiaries of the Company as of 31 December 2007:

					Receivables/Payables		Loans	
Related party	**Dividends**	**Other revenues / expenses**	**Interest income**	**Interest expense**	**Amounts owed by related parties**	**Amounts owed to related parties**	**Amounts owed by related parties (interest included)**	**Amounts owed to related parties (interest included)**
Zentiva a.s., Prague	1,094,833	46,796	10,683	7,540	23,984	4,213	714,330	154,833
Zentiva a.s., Hlohovec	117,820	6,879	10,055	4,167	7,472	5,335	37,553	488,136
Zentiva International	-	2,816	44,435	4,412	952	477	1,508,377	189,119
Zentiva PL	-	160	-	-	19	-	-	-
Zentiva Pharma	-	286	-	-	163	398	-	-
Zentiva S.A. (formerly Sicomed)	-	2,587	12,119	-	49,085	369	177,531	-
Venoma Holding	-	-	-	1,507	-	-	-	36,482
Zentiva Hungary Kft	-	270	-	-	270	-	-	-
Zentiva Bulgaria	-	87	-	5	87	-	-	434
Eczacibasi-Zentiva Saglik Ürünleri	-	18,014	-	-	18,041	-	-	-
Eczacibasi-Zentiva Kimyasal Ürünler	-	37	-	-	39	-	-	-
Zentiva ApS	-	-	25	-	-	-	913	-
Total	**1,212,653***	**77,932**	**77,317**	**17,631**	**100,112**	**10,792**	**2,438,704**	**869,004**

* out of that amount CZK 45,281 thousand was charged against investments as part of relating to pre-acquisition profits

Disclosure for subsidiaries and sub-subsidiaries of the Company as of 31 December 2006:

					Receivables/Payables		Loans	
Related party	**Dividends**	**Other revenues**	**Interest income**	**Interest expense**	**Amounts owed by related parties**	**Amounts owed to related parties**	**Amounts owed by related parties (interest included)**	**Amounts owed to related parties (interest included)**
Zentiva a.s., Prague	300,000	38,192	21,878	9,218	7,702	593	45,274	33,647
Zentiva a.s., Hlohovec	1,075,162	890	159	4,181	243	3,054	4,365	40,326
SL Pharma	790,558	-	-	984	-	-	1,049	2,114,683
Zentiva International	-	2,178	3,601	1,355	639	-	1,009,272	98,868
Zentiva PL	-	186	-	-	23	-	-	-
Zentiva Pharma	-	287	-	-	80	-	-	-
Zentiva S.A. (formerly Sicomed)	-	35,163	14,544	-	50,745	319	206,139	-
Venoma Holding	-	-	1	925	-	-	1	39,355
Zentiva ApS	-	-	4	-	-	-	259	-
Total	**2,165,720***	**76,896**	**40,187**	**16,663**	**59,432**	**3,966**	**1,266,359**	**2,326,879**

* out of that amount CZK 812,604 thousand was charged against investments as part relating to pre-acquisition profits

(ALL AMOUNTS IN CZK THOUSAND)

Disclosure for other related parties of the Company as of 31 December 2007:

Related party	Expenses	Interest expense	Amounts owed by related parties	Amounts owed to related parties	Amounts owed to related parties (interest included)
ATC Corporate Services (Netherlands) B.V.*	6,865	-	-	589	-
EİS ECZACIBAŞI İLAÇ SANAYİ ve TİCARET A.Ş **	-	115,511	1,634,720	-	4,070,069
Total	**6,865**	**115,511**	**1,634,720**	**589**	**4,070,069**

* ATC Corporate Services is an external agency hired in the Netherlands from which the Company outsources general administration at the Zentiva Headquarters. ATC representative Johannes Scholts is a member of the board of directors of the Company

** Mr. Bülent Eczacibaşi is a member of the board of directors of the Company and also member of the board of directors of EIS ECZACIBASI İLAÇ SANAYİ VE TİCARET A.Ş. (EIS).

Purchase price adjustment receivable from EIS represents the agreed-upon post-closing adjustment to the acquisition price. On March 6, 2008 Zentiva announced that the Company and EİS ECZACIBAŞI İLAÇ SANAYİ ve TİCARET A.Ş. ("EIS") reached agreement on the amount of the post-closing adjustment, as set out in the Share Purchase Agreement (the "SPA"), dated March 2, 2007, regarding the acquisition by Zentiva of 75% of Eczacibasi Generic Pharmaceuticals. The agreed-upon post-closing adjustment amount is TRY 105,479 thousand (CZK 1,634,720 thousand as at 31 December, 2007) and this amount was determined using the procedure stipulated in the SPA, based mainly on the development of the net cash and working capital of Eczacibasi Generic Pharmaceuticals between the end of 2006 and the closing of the acquisition on July 2, 2007. The receivable has been collected on March 7, 2008.

The financial liability to EİS ECZACIBAŞI İLAÇ SANAYİ ve TİCARET A.Ş. ("EIS") in total amount of CZK 4,070,069 thousand represents:

- the deferred payment liability for the remaining 25% stake in the Turkish acquisition which is covered by a put/call option as per the shareholder's agreement of EUR 153,250 thousand (CZK 4,400,574 thousand)
- net of foreign currency year end conversion gain of CZK 321,059 thousand
- plus related interest of CZK 115,511 thousand and
- less contingent consideration receivable of TRY 8,063 thousand (CZK 124,957 thousand)

The valuation of the compensation to be paid for this stake under the put/call option arrangements is based on the latest available budgets. There is a lock up period that applies 24 months after the acquisition. Therefore, the liability has been classified as long term, likely to be payable in 2009. The liability bears fixed interest market rate.

Disclosure for other related parties of the Company as of 31 December 2006:

Related party	Expenses	Amount owed to related parties (interest included)
ATC Corporate Services (Netherlands) B.V. *	10,297	976
Total	**10,297**	**976**

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

Remuneration of directors and management

Remuneration of the directors of the Company (in CZK thousand):

	2007	2006
Directors		
Salaries	6,904	8,407
Bonuses, benefits and other remuneration	3,996	8,268
Share based payments	6,941	1,587
Managers		
Salaries	11,026	13,396
Bonuses, benefits and other remuneration	6,052	8,314
Share based payments	(553)	2,116
Total number of key management members and directors	11	11

The remuneration of directors and managers of Zentiva N.V. is as follows:

The annual compensation of the managers that were employed by the Zentiva N.V. as at 31 December 2007 is in total CZK 17 million, contingent bonuses can vary from 20% to 50% of basic annual compensation. The annual salary of directors amounts to CZK 18 million (usually denominated in EUR), contingent bonuses ranging from 30% to 50% of basic annual compensation. The annual compensation to the Non-executive Directors was CZK 2.5 million in total.

The annual compensation of the managers that were employed by the Zentiva N.V. as at 31 December 2006 is in total CZK 22 million, contingent bonuses can vary from 20% to 50% of basic annual compensation. The annual salary of directors amounts to CZK 17 million (usually denominated in EUR), contingent bonuses ranging from 30% to 50% of basic annual compensation. The annual compensation to the Non-executive Directors was CZK 9.6 million in total.

The individual remuneration for the directors for 2007 were: Mr Wilson TCZK 832 for salary, Mr Kamber TCZK 831, Mr Ramneborn TCZK 3,917 for salary and 1,267 for bonuses, Mr Scholts TCZK 831 for salary, Mr Michal TCZK 831 for salary and Mr Sulc TCZK 831 for salary. Mr Lévy, Mr Spek and Mr Eczacibasi do not receive a remuneration for their position in the Board of Zentiva N.V.

There was also stock option program for key middle managers and executives of the Group. They receive fringe benefits such as cars for personal use, insurance, pension contribution or housing allowances (see below).

Stock option plans

In July 2005 a new share option plan was introduced for key managers in the Group. In total options for 440,000 shares were granted. The vesting date for the share options is 1 July 2008 and expiration date is 1 July 2011. The vesting of the options is dependent on the total shareholders return (TSR) of the Group as compared to a selected group of the PX Index companies traded on the Prague Stock Exchange. Employees must remain in service for a period of three years from 1 July 2005. The fair value of each option was set up by an external valuation company in the amount of CZK 192.35 using the Monte Carlo model with the following assumptions: strike price CZK 869, risk free rate 2.8% pa, dividend yield 1.4% pa, volatility 30% pa (based on last 6 months share price history), withdrawal rate (post vesting) 10% pa, early exercise factor 40%.

In July 2006, further share option plan was introduced for managers in the Group. In total options for 325,000 shares were granted. The vesting date for the share options is 14 July 2009 and expiration date is 14 July 2012. Exercise price for the share option in the amount of CZK 1,014 equals to the share price on the stock exchange at the grant date. The vesting of the options is dependent on the total shareholders return (TSR) of the Group as compared to a selected group of the PX Index companies traded on the Prague Stock Exchange. Employees must remain in service for a period of three years from the date of grant. The fair value of each share option was set up by an external valuation company in the amount of 231 CZK using the Monte Carlo model with the following assumptions: strike price 1,014 CZK, risk free rate 3.89% pa, dividend yield 1.00% pa, volatility 30% pa, withdrawal rate (post vesting) 15% pa, early exercise factor of 50%.

(ALL AMOUNTS IN CZK THOUSAND)

In 2007 the share option plan was extended to the middle management level. In total 350,000 share options were granted in July 2007. The vesting date for the share options is 9 July 2010 and expiration date is 9 July 2013. Exercise price for the share option in the amount of CZK 1,417 equals to the share price on the stock exchange at the grant date. The options vest if and when the total shareholders return (TSR) of the Group increases by 10% per annum. If this increase is not met the options lapse. Employees must remain in service for a period of three years from the date of grant. The fair value of each share option was set up by an external valuation company in the amount of 278 CZK using the Monte Carlo model with the following assumptions: strike price 1,417 CZK, risk free rate 4.60% pa, dividend yield 0.9% pa, volatility 26% pa, withdrawal rate (post vesting) 15% pa, early exercise factor of 50%.

In 2007 the Company recognized expenses for it's own employees in amount of CZK 6,495 thousand and increase in investment in subsidiaries in amount of CZK 44,126 thousand for share options granted to subsidiaries employees for both option plans together with corresponding entry to equity in amount of CZK 50,622 thousand.

In 2006 the Company recognized expenses for it's own employees in amount of CZK 3,799 thousand and increase in investment in subsidiaries in amount of CZK 36,926 thousand for share options granted to subsidiaries employees for both option plans together with corresponding entry to equity in amount of CZK 40,725 thousand.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

SHARE OPTIONS	2007 No.	2007 WAEP	2006 No.	2006 WAEP
Outstanding at 1 January	765,000	931	440,000	869
Granted during the year	350,000	1,417	325,000	1,014
Forfeited during the year	(99,501)	1,032	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	1,015,499	1,088	765,000	931
Exercisable at 31 December	-	-	-	-

Other

As at 31 December 2007 and 2006 directors and managers of the Company held 1,740,334 shares and 1,740,334 shares of the Company, respectively.

14. INTEREST BEARING LOANS AND BORROWINGS

As at 31 December 2007, the Company had the following interest bearing loans and borrowings:

Bank	Nature	Original maturity due	Total limit	Amount in foreign curr.	Outstanding as at 31. 12. 2007 Amount in TCZK Short term	Long term
Citibank Europe Plc	Loan[2]	2008	900,000 TCZK	-	-	-
	Overdraft	2008	Incl. 500,000 TCZK	-	124,814	-
	Overdraft	2008	10,000 TCZK	65 TEUR	1,730	-
Citibank London [1]	Loan	2012	88,512 TEUR	87,917 TEUR	129,080	2,211,283
	Loan	2010	14,752 TEUR	14,622 TEUR	129,080	260,151
	Loan	2012	10,201,684 TCZK	-	558,884	9,574,305
	Loan	2010	1,700,281 TCZK	-	558,884	1,126,389
	Revolving	Up to 2010	4,932 TEUR	4,863 TEUR	129,461	-
	Revolving	Up to 2010	568,431 TCZK	-	560,533	-
Current part					**2,192,466**	-
Non–current part					-	**13,172,128**
Total Bank Loans						**15,364,594**

[1] Syndicated loan related to financing Eczacibasi acquisition. In June 2007 Zentiva entered into a EUR 550 million syndicated credit facility agreement. The primary purpose of this credit facility was to finance the acquisition of 75% of ECZACIBAŞI SAĞLIK ÜRÜNLERİ SANAYİ VE TİCARET A.Ş. and EÖS ECZACIBAŞI ÖZGÜN KİMYASAL ÜRÜNLER SANAYİ VE TİCARET A.Ş. representing generic pharmaceutical part of Eczacibasi group (now renamed Eczacibasi-Zentiva companies).
The facility agreement has also provided financing for repayment of certain existing indebtedness of Zentiva and for general corporate purposes.

[2] Loan available for companies Zentiva N.V. and Zentiva a.s. Prague

As at 31 December 2006, the Company had the following interest bearing loans and borrowings:

Bank	Nature	Original maturity due	Total limit	Outstanding as at 31. 12. 2006 Amount in TCZK Short term	Long term
ING	Loan	2008	400,000 TCZK	400,000	-
ABN/AMRO	Loan	2008	400,000 TCZK	400,000	-
Komerční banka, a.s.	Loan	2008	400,000 TCZK	400,000	-
Česká spořitelna, a.s.	Loan	2008	400,000 TCZK	400,000	-
CITIBANK a.s.	Loan	2008	400,000 TCZK	400,000	-
	Overdraft	2007	200,000 TCZK 10,000 TEUR	252,332	
Current part				**2,252,332**	
Non–current part					-
Total Bank Loans					**2,252,332**

Debt covenants

At 31 December 2006, long-term borrowings in the total amount of CZK 1,000 million were reclassified as current in the accompanying consolidated financial statements. The Company has started to negotiate changes in the covenants namely turnover of receivables in December 2006 however the agreement was reached in January 2007.
In the year 2007 a loan in the amount of CZK 2,000 million was refinanced. A new syndicate loan in the total amount of EUR 550 million has been drawed in EUR and CZK. Zentiva, a.s. Prague and Zentiva, a.s. Hlohovec are guarantors of this loan.

The following covenants were defined in Zentiva N.V. syndicate loan contract in 2007:

- Leverage defined as ratio of Consolidated Total Net Borrowings to Adjusted Consolidated EBITDA shall not exceed 4.75 in year 2007;

- Interest cover – ratio of Consolidated EBITDA to Consolidated Net Finance Costs stall not be lower than 4.5 in year 2007;
- Guarantor cover – ratio of Aggregate EBITDA of the Guarantors to Consolidated EBITDA of the Group shall be 55% or more.

The loan covenants were generally met by the Company in 2007.

Average interest rate for the loans was 3.93% in 2007 and 2.8% in 2006.

15. ACCRUALS AND OTHER CURRENT LIABILITIES

Major components of accruals and other current liabilities for the years ending 31 December 2007 and 2006 are as follows:

	2007	2006
Outstanding invoices	35,973	499
Former minority shareholders of Zentiva a.s.	46,511	49,282
Wages and other employee payables	7,299	5,384
Social security and taxes payable	530	1,407
Interest accrued	5,570	8,784
Total	**95,883**	**65,356**

Outstanding invoices as of 31 December 2007 are mainly composed of bank fees, guarantee fees and legal expenses.

16. TAXES

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

	2007	2006
Profit before tax	2,203,031	1,362,034
Less -dividends (exempt)	(1,167,372)	(1,353,116)
SL Pharma liquidation proceeds (exempt)	(970,316)	-
Option plan correction	6,495	-
FX result relating to liquidation of SL Pharma	23,452	-
Profit before tax and dividends/liq.proceeds	95,290	8,918
Tax at the domestic rate applicable to profit	24,244	2,640
Permanent differences and unrecognized tax losses	(24,244)	(2,640)
Total income tax expense	-	-

In order to ensure tax exemptions on dividend income and other capital distributions, the Company claims only limited deductions on the costs incurred. Income tax rate decreased from 29.6 % in year 2006 to 25.4% in 2007. The total amount of accumulated unrecognized tax losses in Zentiva N.V. as of 31 December 2007 and 2006 is estimated by management at CZK 283,370 thousand and CZK 378,660 thousand, respectively. As the level of their utilization cannot be assessed with reasonable certainty, the management decided to treat such losses as permanent differences of the standalone financial statements and no deferred tax asset has been recorded in this respect.

(ALL AMOUNTS IN CZK THOUSAND)

17. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Company's principal financial liabilities, other than derivatives, comprise bank loans and overdrafts and trade payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

Zentiva N.V. also enters into derivative transactions, primarily interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Company's operations and its sources of finance.

The main risks arising from the Company's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The risk analysis is assessed with the help of risk map which is updated on a regular basis. When the risk is interpreted to be running over the acceptable level, the Company enters derivative transactions.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the its debt obligations with floating interest rates.

The policy is to manage its interest cost using a mix of fixed and variable rate debts. The Company's policy is to keep maximum 80% of its borrowings at fixed rates of interest. To manage this, Zentiva N.V. enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2007, after taking into account the effect of interest rate swaps, approximately 60.4% of the Group's 5 year term borrowings (in amount of CZK 10,201,684 thousand) from the syndicate loan denominated in CZK are at a fixed or corridor rate of interest. No interest rate swaps were in place as of 31 December 2006.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings) taking into account the opened interest rate swap positions. There is no impact on equity.

As at 31 December 2007

	Effect on profit before tax	
Base rate	**Increase by 25 basis points**	**Decrease by 25 basis points**
PRIBOR	(31,545)	31,545
EURIBOR	(7,148)	7,148

As at 31 December 2006

	Effect on profit before tax	
Base rate	**Increase by 25 basis points**	**Decrease by 25 basis points**
PRIBOR	(5,631)	5,631

(ALL AMOUNTS IN CZK THOUSAND)

Foreign currency risk

The Company has part of the loans and payables denominated in EUR and also put/call option payable to minorities is EUR based. Purchase price adjustment receivable is sensitive to TRY FX rate change and loans provided to related parties are denominated in SKK. There is also currency risk connected with transactional currency exposures. It is the Company's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

The following table demonstrates the sensitivity to a reasonably possible change in the transaction currency exchange rate, with all other variables held constant, of the profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on equity.

As at 31 December 2007

Transaction currency	Effect on profit before tax	
	Increase in FX rate by + 1%	Increase in FX rate by - 1%
EUR	(68,423)	68,423
SKK	15,459	(15,459)
USD	(772)	772
TRY	17,597	(17,597)
Other currencies	(2)	2

As at 31 December 2006

Transaction currency	Effect on profit before tax	
	Increase in FX rate by + 1%	Increase in FX rate by - 1%
EUR	(21,347)	21,347
SKK	6,798	(6,798)
Other currencies	(627)	627

Credit risk

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

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and certain derivative instruments, the exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Company uses a standard tool in its accounting system called cash management forecast to monitor risk of a shortage of funds and overall estimated cash position.

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

(ALL AMOUNTS IN CZK THOUSAND)

Year ended 31 December 2007

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest bearing Loans and Borrowings*	-	328,106	1,981,684	15,174,286	18,024,076
Payable to EIS	-	-	-	4,541,461	4,541,561
Accounts Payable	6,100	1,310	-	-	7,410

* Based on syndicated loan agreement the Company should prepay the amount of the net proceeds received or recovered under the acquisitions documents that exceeds EUR 5,000 thousand (or its equivalent). Therefore the post-closing amount received on March 7, 2008 relating to Turkish acquisition will be used to partly repay the loan. This fact is not reflected in the table above. Revolving part of syndicated loan is the purpose of maturity profile considered to be paid in latest available term eg. in year 2010.

Year ended 31 December 2006

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest bearing Loans and Borrowings	-	252,332	2,030,630	-	2,282,962
Accounts Payable	297	1,502	-	-	1,799

Maturity of Intercompany payables is not presented as they are from its majority relating to cash pool structure in which Zentiva N.V. is master cash pool holder and those balances are renewed on a daily basis.

Capital management

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

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

No changes were made in the policies or processes during the years end 31 December 2007 and 31 December 2006 although the objectives were changed in year 2007 to meet external syndicate loan requirements.

Zentiva N.V. currently monitors capital using covenants set up by banks which are described in detail in Note 14.

18. FINANCIAL INSTRUMENTS

As at 31 December 2007 Zentiva N.V. was bound in following swap transactions to hedge interest rates:

Bank	Final maturity	Nominal value of the underlying liability in CZK thousand	Description	Loss/gain as of 31 December 2007
Fortis Bank, Brussels	September 2012	560,000	4.32%, corridor is stated between 3.17% and 5%	(1,281)
ABN Amro Bank, United Kingdom	September 2012	500,428	if the relevant rate is <3.70% then the floating rate shall be 3.70%; if the relevant rate is between 3.75% and 4.65% then the floating rate shall be the relevant rate; if the relevant rate is between 4.65% and 4.95% then the floating rate shall be 4.65%; if the relevant rate is greater than 4.95% then the floating rate shall be relevant rate -0.30%	(716)
BNP PARIBAS	September 2012	168,060	Max (0; relevant rate- 4.75%) + Max (0; 3%-relevant rate)	(192)
Komercni banka	September 2012	567,000	(3.98%+n/N*2.5%), corridor 3-5%, n- number of fixation dates out of corridor, N- total dates of fixation	(4,376)
Ceska sporitelna	September 2012	366,680	3.6% for first quarter; than previous quarter + max(0; relevant rate - 4.5%) + max (0; 3.5%-relevant rate)	(5,059)
Citi	September 2012	4,000,000	If relevant rate is lower than 6%, then relevant rate - 0.3% p.a., subject to minimum 3.5% p.a. and maximum 4.70% p.a.; If relevant rate is greater than 6%, then relevant rate -1.30% p.a.	13,759
Total value as at December 2007				2,135

As at 31 December 2006 no interest rate swap contracts were opened.

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried out in financial statements.

	Carrying amount		Fair value	
	2007	2006	2007	2006
Interest bearing loans and borrowings	15,364,594	2,252,332	15,373,207	2,227,461
Other financial liabilities	4,070,069	-	4,093,561	-

For the other current assets and current liabilities the maturity date is less than three months and therefore the carrying value is approximately equal to the fair value. The fair value of financial instruments with maturity date over three months was calculated by discounting the expected future cash flows at prevailing interest rates.

(ALL AMOUNTS IN CZK THOUSAND)

19. DISCLOSURE OF DIFFERENCES BETWEEN SHAREHOLDERS' EQUITY AND GROUP EQUITY, AND NET PROFIT AND GROUP PROFIT

As required by Dutch Law, the reconciliations between the Company's and consolidated equity and net income are as follows:

	Equity as of 31.12.2007	Equity as of 31.12.2006
Equity of Zentiva N.V. (company only)	**9,009,757**	**7,253,009**
Elimination of intra-group transactions		
elimination of margins on inventory	(815,185)	(807,479)
elimination of other transactions including the deffered tax impact	(41,707)	100,531
Impact of business combinations		
investments elimination	2,768,930	4,482,492
minority interest	1,037,607	1,068,349
Consolidated equity	**11,959,402**	**12,096,902**

	Net profit for year 2007	Net profit for year 2006
Net profit of Zentiva N.V.	**2,203,031**	**1,362,035**
Elimination of transactions between Zentiva N.V. and other group companies		
elimination of dividends	(1,167,372)	(1,353,116)
elimination of other transactions (mainly sevices provided)	(137,618)	(97,666)
Impact of SL Pharma liquidation	(970,316)	
Net profit of other group companies		
Zentiva .a.s, Prague	995,831	1,989,938
Zentiva a.s., Hlohovec	613,625	580,946
Zentiva International	58,844	123,531
Zentiva PL	30,460	28,739
Zentiva Pharma	59,961	(172,943)
Zentiva S.A.	(49,580)	133,263
SL Pharma	-	2,215,014
Zentiva BG	6,121	-
Zentiva Kft Hungary	13,200	-
Eczacibaşi-Zentiva Kimyasal Ürünler	2,773	-
Eczacıbaşı-Zentiva Sağlık Ürünleri	(189,632)	-
other companies	1,446	1,434
Elimination of transactions among other group companies		
elimination of margins on inventory	(67,518)	(162,327)
elimination of intra-group sale of shares from SL Pharma to Zentiva N.V.	-	(2,222,704)
elimination of dividends paid to Zentiva Prague from Zentiva International	-	(223,696)
elimination of other transactions	52,975	86,831
minority interest	(43,797)	(86,119)
Consolidated profit attributable to equity holders of the parent	**1,412,434**	**2,203,160**

Amsterdam, 23 April 2008

Jiří Michal

Executive Director
Appointed 16 October 1998

Petr Šulc

Executive Director
Appointed 31 March 2004

Johannes Scholts

Non-executive Director
Appointed 31 March 2004

Brad Wilson

Non-executive Director
Appointed 26 May 2004

Urs Kamber

Non-executive Director
Appointed 8 June 2005

Lars Ramneborn

Executive Director
Appointed 10 October 2005

Hanspeter Spek

Non-executive Director
Appointed 27 April 2006

Jean-Michel Lévy

Non-executive Director
Appointed 27 April 2006

Bülent Eczacibaşi

Non-executive Director
Appointed 1 July 2007

Section D Other information

DIVIDENDS PROPOSED

The Board has recommended to shareholders that the Company pay a dividend of CZK 7.40 per share for 2007. This proposal will be subject to shareholder approval at the Annual General Meeting to be held on 5 June 2008.

EVENTS AFTER BALANCE SHEET DATE

As of 17 January 2008 Generali PPF Group N.V. and parties in agreement with announced an increase of it's share to 19.1%. Further Fervent Holdings Limited notified that as of March 26, 2008 they held directly and indirectly 7.6% of shares. Therefore the share of other Institutional and Private investors as per the Company's share register decreased to 42.4%.

On March 6, 2008 Zentiva announced that the Company and EİS ECZACIBAŞI İLAÇ SANAYİ ve TİCARET A.Ş. ("EIS") reached agreement on the amount of the post-closing adjustment, as set out in the Share Purchase Agreement (the "SPA"), dated March 2, 2007, regarding the acquisition by Zentiva of 75% of Eczacibasi Generic Pharmaceuticals. The agreed-upon post-closing adjustment amount was obtained on the Company bank's account on March 7, 2008.

To: the Shareholders of Zentiva N.V.

AUDITOR'S REPORT

Report on the financial statements

We have audited the financial statements (as set out on pages B1 – C24) of Zentiva N.V., Amsterdam, which comprise the consolidated and company balance sheet as at 31 December 2007, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility
Management of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of Zentiva N.V. as at 31, December 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Emphasis of matter
Without qualifying our opinion we draw attention to Note 10 (in the consolidated financial statements) relating to the provisional goodwill impairment test and sensitivity analysis for the acquisition in Turkey. The impairment test uses a number of assumptions and estimates and results in a management conclusion that no impairment needs to be recognized in 2007. Although these estimates and assumptions are based on management's best knowledge of current events and conditions, actual results ultimately may differ from those estimates. Note 10 specifically addresses the significant estimates and assumptions that may impact management's conclusion, namely the discounts rates ('WACC') and EBITDA (defined as income before interest, financial income/expense, net, depreciation expense, impairment losses and income taxes). These two variables are the most significant and any adverse changes in these variables would have a material impact on the outcome of the test and ultimately lead to goodwill impairment.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 25 April 2008

for Ernst & Young Accountants

signed by O.E.D Jonker