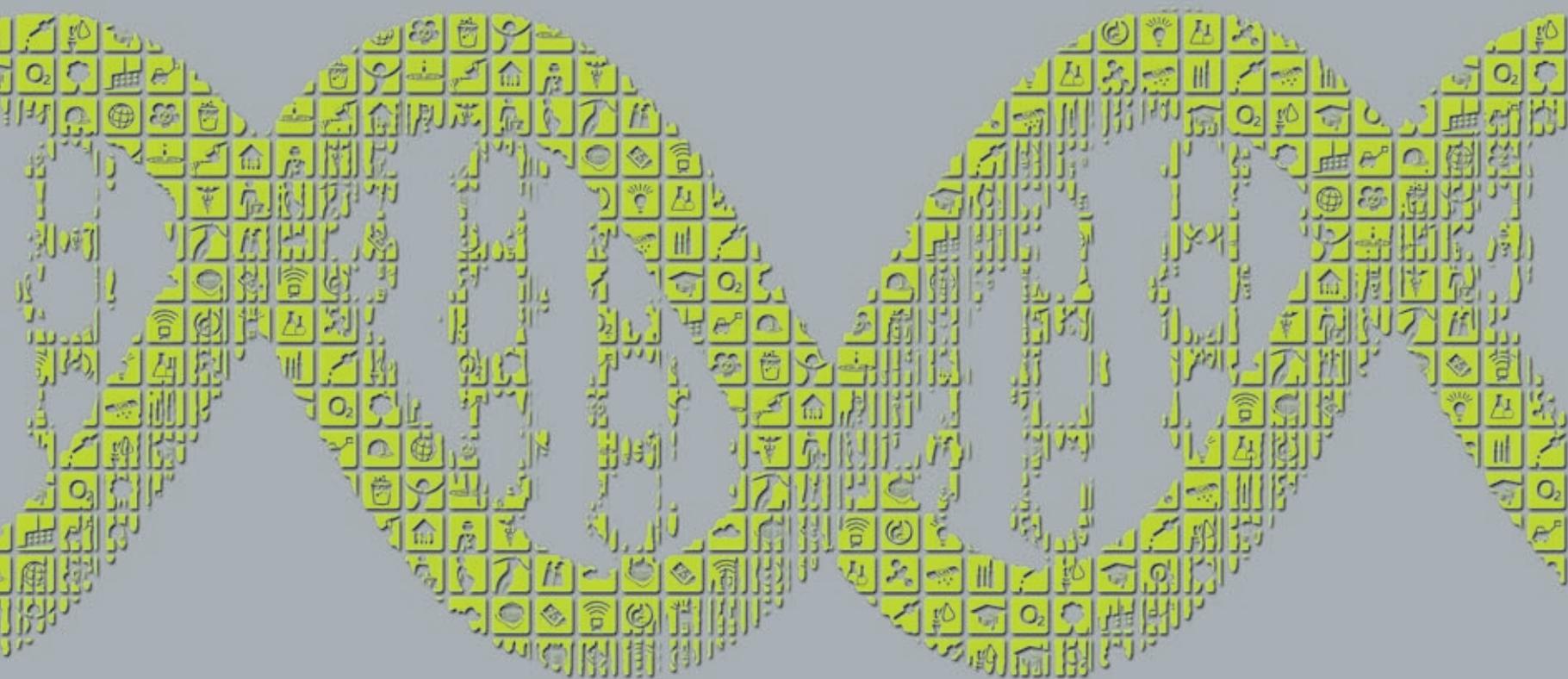


Value Report 100+1

2007 Data



ZAMBON
COMPANY SPA

To all those who follow us and will follow us,

We are continuing on track and it gives us great joy to see that the results are proving us right. We have confirmed the robust health of our way of working, reaching the target of 510 million euros in turnover. Everyone deserves praise for this, but I believe that this year ZaCh System - Zambon Advanced Fine Chemicals - has proven that it has amazing energy in its legs, succeeding in being awarded an acquisition that makes it even stronger on the panorama of European chemicals with high value added.

In the thirties, Gaetano Zambon, the company's founder, stated:

“It is possible to think in two ways: statically and dynamically. For static thinkers thought is adding up events and resolving them in a formula. In periods with rapid successions of events, they tire of following so many of them in such short time; they hesitate before too much. Dynamic thinkers animate the facts with their own vitality; they feel them, they live them, they want them as causes of effects as yet undefined. They have the perpetual sense of the challenge”.

From the centenary onwards we have often been inspired by these teachings we have received and we have been attracted by listening to this genetic heritage, which is so full of meaning, to attempt to understand it in all its complexity and to safeguard its connections that allow us to renew such a solid reality. Even the most enigmatic periods enable us to find the right path if we have the humility to interpret our own profound identity. We are proud of this desire to reassert ourselves as protagonists and we have felt the need to give form to our unique characteristics, because they continue to be the expression of the guiding values that have accompanied us over 102 years of life. We have identified certain symbols - we call them pictograms - that remind us of where we come from: the molecules, the laboratories, the continuous study, the construction of production plants, their operation in a complex system of logistics and I.T. connections, the safety of our working conditions, coming from the respect for rules and from responsible behaviour, as encapsulated in our strict quality control standards. All this is translated into products and solutions, even the most innovative, with a thousand different types of administration, from the most traditional to the most fanciful, which launch us into the future of a medicine that necessarily changes, rediscovers age-old skills and renews them, grafting them onto new treatments that take care, above all, of people. We would like you to grasp all this and more besides to show how seriously we interpret our daily work. Come to visit us; we will find that you display the same curiosity that every day attracts us in discovering fields of science that are still partly unexplored. It is with this spirit that, a year after our centenary, we have created **Zoè**, Zambon Open Education, now feeling ready to make public the principles with which we have interpreted the world of health, promoting continuous training that is open to interdisciplinary cues and stimuli, reaffirming once again that:

“Only the broadening of one's own scientific knowledge and the indefatigable study of all social and organizational problems allow one to rise above mediocrity and become truly useful and almost indispensable”

(Gaetano Zambon, July 1938).

As ever, our heartfelt thanks to all of you,



President, Zambon SpA



Zambon's values for offering products, services and solutions for breathing well and living well.



Be a preferred supplier of high added value products and services to the pharmaceutical industry, based upon excellence in innovation and in industrial execution.

Value

The principles and values that inspire Zambon	2
More innovations: the first year after the centenary	6
The 101 years of history of the Zambon Group	8
Facts and main results	10
Zambon: company organisation chart	12
The main companies in the Group	14
The chemical business: ZaCh System. The challenge of change	15
The pharmaceutical business: Zambon S.p.A. The habit of growing	18
Z-Cube. Believing in innovation	24
People and human relations	28
A guide for change	29
Benvivere	32
The company's social responsibility	36
ZOÈ: Zambon Open Education	37

The principles

CURIOSITY, TALENT, SPENDING TIME TOGETHER:

and values that

THREE STARTING POINTS THAT HAVE THE SAME POINT OF ARRIVAL:

inspire Zambon

THE GOOD OF THE WHOLE GROUP



ince its origin, the Zambon Group has dealt distinctively with health, with a scientific and technological approach. This modus operandi bases its success on the capacity to pursue innovation with scientific rigor, flexibility and quality of execution.

To guarantee these spe-

cial features over time, the Zambon Group has adopted a series of company values and principles that arise from the awareness of its responsibility with respect to the expectations of enrichment of people's lives, in terms of health and quality of life, both outside and inside the company. These values are based on the heritage that has accompanied the Group for more than 100 years now and guide it in its daily search for improvement, in the conviction that the history of a company is only alive when it "remains on track".

The key words of this vision of values are:



curiosity, which keeps the intellectual and physical energies high, stimulating innovation and experimentation;



talent, which makes curiosity a prior condition for reading reality and developing;



spending time together, which in the group provides the energy to meet the daily challenges and the stimulus to grow and work together.



Values that are

based on the heritage that

has accompanied the Group

for more than 100 years

now and guide it in its daily

search for improvement,

in the conviction that the

history of a company is

only alive when it remains

on track







**Our past
has always been
ahead
of its time.
Imagine
our future.**

Always looking ahead has helped us grow. Coming about thanks to a successful insight on the part of founder Gaetano more than a hundred years ago, we at Zambon have always made research and innovation a fixed point and a source of great dynamism. This has enabled us today, in the chemical-pharmaceutical sphere, to become a Group with activities consolidated all over the world and with projects of great scope associated above all with the world of health and wellbeing in the community. Because it is only from a solid past that we can imagine a better future. For everyone.

More innovations:

ROOTS IN THE HISTORY AND CULTURE OF ITALY,

the first year after

BUT ALSO A GREAT INTERNATIONAL

the centenary

ENTREPRENEURIAL VISION



ear 2007 was an important year for Zambon. An industrial group that maintains deeply historically and culturally rooted in Italy, but that is also capable of embracing an international entrepreneurial vision. As is demonstrated by the impor-

tant new acquisition abroad in the chemical sector, four years after the French acquisition in the pharmaceutical business: a period of time when internal growth and the consolidation of the presence of the Zambon brand on the markets have continued to strengthen in all the countries where Zambon is present. In November 2007, the Group concluded the purchase of the Fine Chemicals business of PPG Industries Inc, a company of French origin, born and developed as a family business and subsequently becoming part of the U.S. multinational PPG. The latter's decision to focus on its main activities offered the opportunity to embark in concrete terms upon the strategic path delineated at Zambon in 2006 and intended to make the company also grow along external lines. Furthermore, the operation resulted in a year of significant changes and favourable results for the Chemistry line of business.

In January 2007, in fact, Zambon launched the new company organisation, which envisages the separation of pharmaceutical activities and those of fine chemistry, concentrated in two autonomous and independent legal entities: Zambon

Pharma (Zambon Spa) and Zambon Fine Chemicals (ZaCh System SpA). The separation of the operating companies was joined by the creation of an industrial holding company - Zambon Company SpA - which performs a role of strategic coordination and control of the economic direction of the Group, allocating the financial resources necessary for the investments required by the business. In this context of internal repositioning of the various activities and resources, the two businesses - the pharmaceutical, responsible for around 87% of the Group's turnover, and the chemical - have produced significant results, centralizing the business support services, such as administration, organization, information systems, all in a single free-standing structure, which is Zambon Group SpA. In a tough market, at the start of its second century of entrepreneurial history, for the first time the Group has exceeded 500 million euros of sales revenue net of the acquisition of the Fine Chemicals line of business from PPG Industries Inc. The acquisition of PPG Fine Chemicals is one of the most obvious elements of this change. It is for this reason that the Value Report 2007 opens with the experience of Zambon Fine Chemicals: a business area that is traditional for the Group, which has known how to come to terms positively with its market of reference and to grasp an opportunity for stimulating and demanding growth. This is an important step for the whole Group, which in the coming years also intends to meet the challenges of its competitors on the plane of dimensional growth, pursuing above all the industrial projects that are suited to the business and that have always characterized the Group's strategic choices. It must not be forgotten, in fact, that Zambon is first and fore-





2007 for Zambon, 510 mi and the acquisition of the Fine Chemicals

Gaetano Zambon launches the "Magazzino Medicinali Zambon" in Vicenza,

1906

Acquisition of PPG Fine Chemicals.

2007

Zambon decides on the establishment of ZOE. Excellent results in the pharmaceutical business.

most a major chemical-pharmaceutical brand, with a growing international positioning.

In 2007, the pharma business consolidated its growth both in Italy and in the areas where it is most rooted: Mediterranean Europe and Brazil. But it also increased its dimensions in the other European countries, particularly in Russia.

The 101 years of history of the ZAMBON GROUP

- 2007** Development of Zambon's fine chemistry activity, with the acquisition of PPG Fine Chemicals. Zambon decides on the establishment of ZOE - Zambon Open Education - a foundation that has the aim of developing the culture of health and quality of life.
- 2006** The Zambon Group celebrates the centenary of its foundation and in Germany licenses its products to French company Pierre Fabre.
- 2003** Creation of Z-Cube, the incubator of new enterprises in innovative sectors.
- 2002** Zambon acquires Laboratoires Laphal, the French pharmaceutical company. A new branch opened in India.
- 2000** Agreements with various international pharmaceutical companies for the marketing of molecules resulting from Zambon research and for the production of raw materials and generic drugs. The Chinese plant is inaugurated to favour the local market.



11 billion euros in sales revenues a new line of business from PPG Industries Inc.



- 1999** The Zambon family begins the separation between share ownership and operations roles: the running of the Group is entrusted to a managing director from outside the family.
- 1995** The Zambon Group expands in the East, with the opening of branches in Russia and Hong Kong and the launching of the first joint venture in China. The U.S. FDA approves the production of fosfomycin trometamol for the U.S. market.
- 1985** Research by Zambon identifies a new molecule (Ibuprofen Arginine) to be marketed.
- 1983** The acquisition of the Milanese pharmaceutical firm SIMES, founded by Giordano Emilio Ghirardi, father-in-law of Alberto Zambon.
- 1979** Research by Zambon identifies a new molecule (Fosfomycin Trometamol) to be marketed.
- 1965/75** International development of the Group, which opens branches in the main European countries and Central and South America.
- 1965** Opening of the Swiss market.
- 1961** Establishment of the headquarters in Bresso (Milan), with administrative offices and research laboratories, which will become the company's administrative headquarters starting from 1962. Start of relations with Japan, through collaboration with the company EISAI, who obtains the licence to produce injectable chloramphenicol on Japanese territory.
- 1960** Establishment of the Spanish branch. Zambon laboratories synthesize N-acetylcysteine, the basic molecule of a family of Zambon products (Fluimucil).
- 1958** Collaborations begin with U.S. colossuses of pharmaceutical research, including Parke Davis, which prove fundamental for Zambon's international expansion.
- 1956** Establishment of the first branch in Brazil.
- 1948** After gaining degrees in chemistry and pharmaceuticals, Alberto Zambon, aged 24, son of Gaetano, takes over the running of the firm.
- 1946** Inauguration of the new Zambon plant in Vicenza, after the destruction of the original headquarters in 1944. The staff includes 550 employees, of which 500 employed in production and 50 in research.
- 1944** On 14 May the Zambon plant is destroyed by the U.S. bombing of Vicenza.
- 1938** The first Zambon research laboratory opens in Vicenza.
- 1932/33** Together with the production of drugs, the activity of synthesis of raw materials also begins.
- 1928** The company takes on an industrial organization, with the trade name ZEF, from the names of the two partners: Gaetano Zambon and Silvio Farina.
- 1920** After the slowdown in activities caused by the First World War, the company began the activity of production of galenical preparations.
- 1908** The company is named "Gaetano Zambon e c."
- 1906** On 11 November in Vicenza, Gaetano Zambon, with a degree in pharmaceuticals and various experiences in the field of trading chemical products and spices, begins the activities of the "Magazzino medicinali Zambon" together with S. Farina.



Facts

2007 WAS AN EVENTFUL AND PLEASING YEAR FOR ZAMBON,

& Main

WHETHER IN TERMS OF THE PHARMACEUTICAL BUSINESS

results

OR THE FINE CHEMICALS BUSINESS.

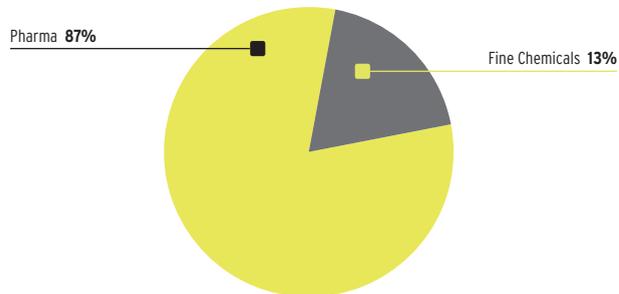
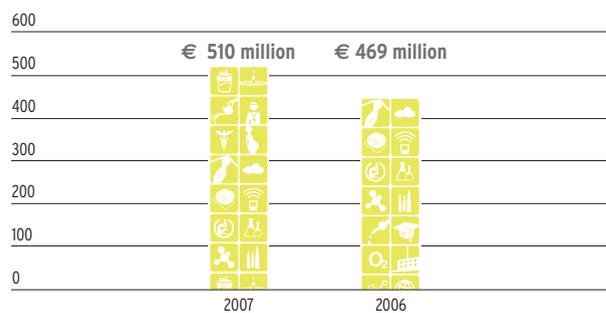


otwithstanding a market-
place dominated by per-
vasive uncertainty, such
as the slowing pace of
growth reflected by devel-
oped markets and the un-
relenting stronger stance
taken by the Euro against
the U.S. dollar, 2007 was
an eventful and pleasing
year for Zambon, whether

in terms of the Pharmaceutical Business or the Fine Chemi-
cals Business. Indeed, the results reported by the Group re-
flect a positive tone for both business segments and across
the key markets in which the Group operates, with per-
formances stretching beyond market average. Group core
business turnover moved beyond the Euro 500 million
threshold, stretching out to reach Euro 510 million as at De-
cember 31, 2007. As a result of the bolt-on efficiencies of scale
driven through by the Group's reshaped organizational frame-
work, which culminated into the formation of two separate
undertakings for the Pharma and Fine Chemicals business
lines and, not least, the creation of a Group holding company,
EBITDA as at December 31, 2007 grew to Euro 130 million, or
Euro 31 million more than the year before. Operating profit
came to Euro 103 million, whilst net working capital amounts
to Euro 18 million. After the PPG acquisition, the financial po-
sition was Euro 115 million positive. Taken as a whole, the Group
looks forward with confidence to 2008, strong in the wake of
a sound financial structure and bolt-on growth prospects also
powered by the integration of PPG Fine Chemicals.

Consolidated results (31/12/2007 compared to 31/12/2006):

F/Y 2007 core business consolidated sales revenues



F/Y 2007 Turnover by Business Line

- ▶ **PHARMA:** (Zambon SpA consolidated)*
F/Y 2007 Revenues: **Euro 442 million**
F/Y 2007 EBITDA: **Euro 119 million**
F/Y 2007 Operating Profit: **Euro 105 million**
F/Y 2007 Net Working Capital: **Euro 23 million**
F/Y 2007 Headcount: **1,838 full-time equivalents**
- ▶ **FINE CHEMICALS:** (ZaCh System S.p.A. consolidated)*
F/Y 2007 Revenues: **Euro 101 million**
F/Y 2007 EBITDA: **Euro 16 million**
F/Y Operating Profit: **Euro 7 million**
F/Y 2007 Net Working Capital: **Euro 26 million**
F/Y 2007 Headcount: **623 full-time equivalents**

(*) Company resulting from spin-off from Zambon Group S.p.A. and operational with effect from January 1, 2007



Zambon:

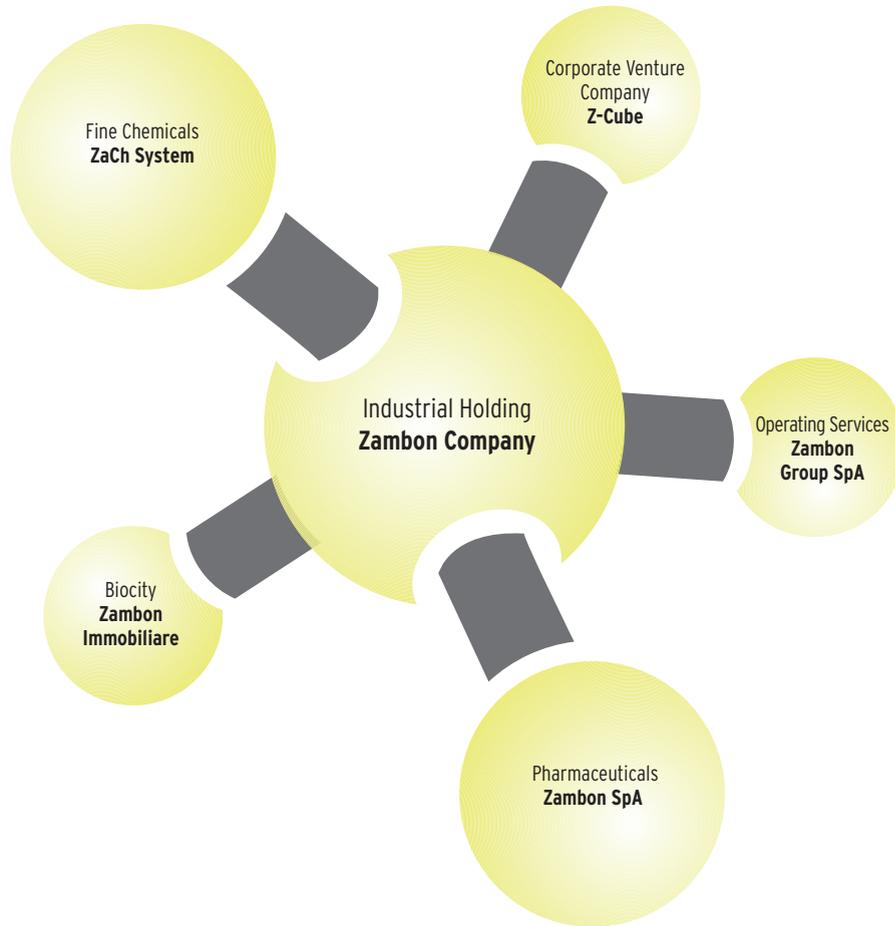
A STRUCTURE THAT FULLY RESPONDS

company

TO ALL THE GROUP'S ORIENTATION

organisation chart

AND DEVELOPMENT NEEDS



The industrial holding Zambon Company SpA defines the businesses' strategic orientations and monitors their performance, managing the economic-financial equilibria; it controls Zambon SpA, the pharmaceutical company and ZaCh System SpA, the Fine Chemistry company. Zambon Company SpA also controls:

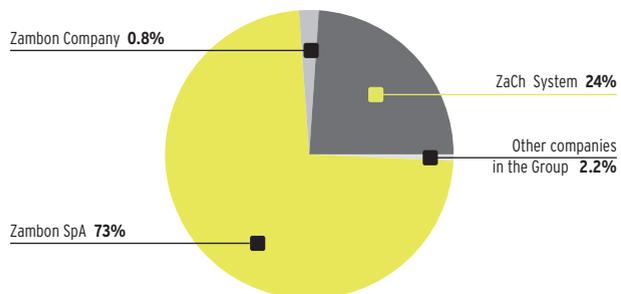
 Z-Cube Srl, the company of the Group that has as its mission identifying and supporting the validation of Drug Delivery technologies, selecting those that have highlighted the potential to generate innovative products;

 Zambon Immobiliare SpA, involved in the valorisation of its production and administration plants and focusing on the offer of spaces and services, laboratories and offices for start-up companies involved in research and development activities;

 Zambon Group SpA, a company that carries out administrative services, information technology and general activities for the Italian and foreign companies of the Group.

In participation with the Canadian company Apotex and the Italian Chiesi, Zambon Company SpA also possesses Doc Generici Srl, the fifth Italian company in the generic drugs business.

2007 Zambon staff per company



The main

CHARACTERISTICS, PROFILES AND PROSPECTS,

companies

IN A DISHOMOGENEOUS MARKET THAT PROPOSES INCREASINGLY

in the Group

HIGHLY STRUCTURED AND COMPLEX SCENARIOS

The chemicals business: ZaCh System. The challenge of change

A market in transformation

The pharmaceutical sector is still in a phase of major transformation, since the world's major pharmaceutical groups have had to adapt their business models to suit new market conditions and successes: demands for increased effectiveness and security for new products (the disappearance of "me-too" products); reduced growth in Western countries (3.7% in USA in 2007 and averaging below 4% in Europe); accelerated development in the emerging countries (it is estimated that 19% of the world market can be reached by 2020); increasing economic pressure from stakeholders; growth in the generics market (these reached 67% of prescriptions in the USA in 2007).

Pharmaceutical companies must therefore revisit their way of doing research and development - in particular including biotech instruments -, their way of introducing products into the market - through life testing and live sciences -, their way of managing manufacturing and the life cycle of products - outsourcing is becoming ever more established; the boundary between innovators and genericists is becoming every hazier.

This phase of change may nevertheless represent an opportunity for fine chemicals companies to define a new business model, one that is consistent with that of the pharmaceutical market in terms of value and effectiveness of the offer.

Well aware that the selection will be determined by the peculiarity of the offer of each supplier - in terms of technologies and integration downstream, in the formulation, for instance -, combined with the better economic value proposed and an effective service, it is in this context that ZaCh System made certain key choices during 2007.

Towards a dimension as a global player

2007 was in fact a year of change for Zambon Fine Chemicals, who took concrete steps in the direction indicated in the industrial plan 2006. The plan envisages a dimensional and qualitative leap for the company, to be pursued through internal growth, possible expansion along external lines and international development.

During 2007 the company, which is operating for the first year as an independent legal entity, has followed all three of these orientations, improving its efficiency and productivity levels, completing the acquisition of the Fine Chemical business from the company PPG Fine Industries Inc. and developing further partnerships in India.

As regards internal growth, in 2007 the company increased its own sales both in the Generic area and in the Custom area, with the increase in the market share in the United States and the acquisition of new production agreements with the big pharma companies on one hand, and, on the





With the acquisition of PPG Fine Chemicals, ZaCh System is taking on the dimensions of a global player



Through internal growth and international development, ZaCh System has improved its levels of efficiency and productivity in both the Generic area and the Custom area



other, the increase in production for the captive part, pulled along by the good results of Zambon Pharma.

The most significant step, however, concerns the acquisition of the Fine Chemicals business of the company PPG fine Industries Inc., which has two production plants in Avrille, in France, and in LaPorte, in Texas (USA), thus representing an important opportunity for strategic development for ZaCh.

The acquisition, concluded on 30 November 2007, presents first of all numerous elements of complementarity with the Zambon chemical business: greater weight of Custom Synthesis activity, very low overlap in the respective customer portfolios, strong presence on the European market, also contributing to reducing the exposure to the dollar area; the contribution of new technologies, further professional quality, production capacity decidedly synergic with that of ZaCh also in terms of dimensions.

ZaCh and PPG together will reach overall sales of around 150 million euros, going on to be present in one of the most dynamic segments of the market and being able to count on commercial relations with 50% of the big pharma companies, high technological capacities and an optimum production capacity, in relation to the potential market demand. Finally, in 2007 the partnership was also consolidated with the Indian company Malladi, with headquarters in Chennai. The operation will allow ZaCh fully to exploit the opportunities of the Indian pharmaceutical market, after the study phase, realized thanks to the office of the Group in New Delhi (Zambon India).





ZaCh System achieved results exceeding



the forecasts, bettering the results



for 2006 by 31%

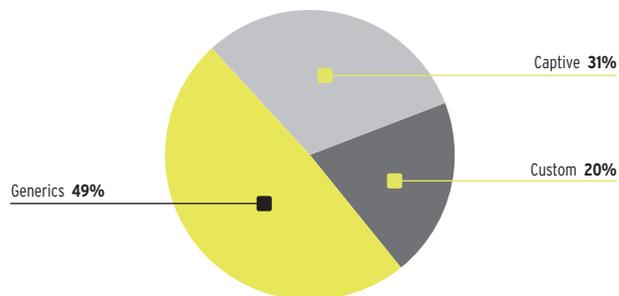
A year of change and successes

On the plane of sales, 2007 produced results that exceeded the forecasts (+39% with respect to the budget and +31% compared with the previous year), thanks in particular to the sales of Gabapentina (381 tons compared to a forecast of 297 tons), to the excellent performance of the Custom sector (+64% with respect to the budget and +87% compared with 2006) and to the stability of the captive production, which remained high. The continued depreciation of the dollar against the euro has therefore only partly penalized the results of ZaCh, due to the increase in the cost of raw materials and to the reduction of sales in dollars.

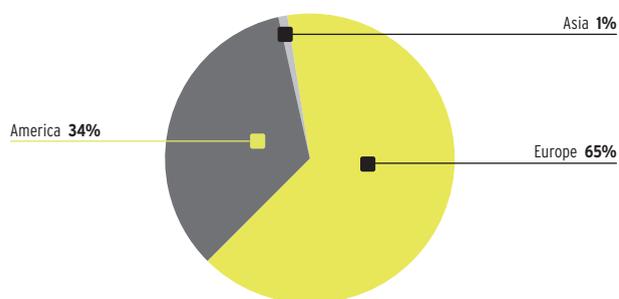
2008 and the value of integration

The prospects for the Zambon chemical sector in 2008 remain positive, also due to the synergies created with the acquisition of PPG Fine Chemicals. At market level, forecasts for the Custom area are positive, mainly on account of the development of a new custom active principle for HIV, approved in late 2007, and of the expected approval in 2008 of another active principle for one of their multinational clients. For the Generic area, a stabilization of the dollar is important, also due to the influence that this volatility has on the companies that are ZaCh's customers. The integration of PPG Fine Chemicals is continuing the process of strategic alignment in all the envisaged areas, from the US production system, to the organizational structure, to the improvement of sales, to the R&D activities, with ever greater prospects for scope to acquire new projects of a high quality level.

2007 sales per business (%)



2007 sales per geographical area (%)





Net sales of Zambon
to 442 million euros, 7%



The international
pharmaceutical market
has seen a slowdown
in the growth of the
first seven markets,
while the emerging ones
continue double-figure
growth



The pharmaceutical Business: Zambon SpA the habit of growing

A two-speed market

2007 confirmed two trends that are by now consolidated in the international pharmaceutical market: on one hand, a general slowdown in growth, standing at 6.5%. On the other, the net opposition between the reduced evolution of the first seven markets in terms of dimensions (USA, Japan, Germany, France, UK, Italy and Spain), which have slowed to +4%, and the expansion of the first seven emerging markets (China, Brazil, Mexico, South Korea, India, Turkey and Russia), which continue to grow in double figures. This opposing trend has moved the barycentre of growth, which now only half depends on the first seven markets, even though these account for over 70% in terms of sales, and the geographical barycentre of the market is also progressively shifting towards new geographical and business contexts. The mature markets will continue to grow, driven by structural factors (such as the aging of the population) that drive a continuous increase in the consumption of drugs, but in terms of value the ac-



SpA were equal more than in 2006

tions to contain prices, costs and margins will have ever more weight.

The emerging markets, on the other hand, are expanding the health system to embrace wider bands of the population, modifying models of consumption and the very concept of health, with a growth that is characterized by a considerable variability in terms of rules, competitive dynamics and directions of development.

Flexibility as a competitive factor

In 2007, as envisaged, some market segments have shown growth in double figures: specialist treatments, biotech drugs, generic drugs and emerging countries.

But there was no lack of elements holding back development, which are manifesting themselves with accentuated vigour: a new wave of drugs with their patents lapsing, the value of which is over 20 billion dollars; the deceleration in the launch of new products, dropping below 30 New Chemical Entities for the first time; the progressive establishing of the concept of price of reference; the reports on the safety of drugs, which are estimated to have involved around 10% of the market; and finally, the continuous challenges to patent protection. Although these are known dynamics, the high level of complexity can create major difficulties for the operators in the sector.

In particular, companies must be capable of adapting

their business models to suit the individual local contexts, balancing strategies and investments between the mature markets and the emerging ones, between consolidation and innovation. Also refining their capacity for comprehension and reaction when faced with the sudden changes of direction and rules on the various markets.

The main challenges for 2008 will still be the construction and maintenance of the distinctive value of our products and the redesigning of models of communication and organization that increase the effectiveness of the relations with the new types of customers.

Zambon: efficiency and innovation

In 2007 Zambon SpA defined a new business strategy, redefining the strategic objectives of the three key areas of activity: Sales & Marketing, Manufacturing and Innovation.

First of all, as regards the Sales & Marketing area, the company's values have been detailed and developed, through greater focusing on the "respiratory", "pain" and "women's care" areas, in terms of lines of development of products (Fluimucil, Spidifen and Monuril) and of positioning on the target markets, in both Europe and the emerging countries.

As regards Manufacturing, given the centrality of the European markets, the prevalent activities have been





A new business strategy for Zambon Sales & Marketing, Manuf

concentrated on the plants in Vicenza, devoted to the more traditional technologies, and Cadempino, which operates with technologies with more value added and also produces for third parties. The production sites in Brazil and China are used to support the production for the local markets.

The Innovation area includes the Research & Development capacities and activities that concern the innovation of processes and products. During 2007 the orientation of research activities was increasingly linked with the collaboration with external partners and university centres.

Through the study of pharmaceutical products and medical equipment looking to the development of products for self-medication and own personal use, the strategy for new products and the innovation pipeline (in 2007 Spidifen Italy and Monurel Spain have been presented) increasingly exploits the processes of linkage and internal communication between the technologically most expert areas within the Zambon company network.

How the Zambon pharmaceutical business is growing

In the 2007 financial year, Zambon SpA registered total net proceeds from products equal to 442 million euros, with an increase compared to the previous

year equal to 29 million euros (+7%). The result, in line with the market tendencies, is the consequence of strong development in the emerging markets (+20%) and contained growth in the mature markets (Italy, Spain, France, Belgium, Portugal and Switzerland), equal to +4%, also conditioned by a consistent erosion of prices.

Not to be underestimated, then, is the increase in volume and proceeds from Toll Manufacturing: altogether the increase in volume was equal to 36 million euros.

In the 2007 financial year the launch of new products contributed with additional sales equal to 3.5 million euros, both to extend lines and for new products (in particular, Fluimucil syrup 4% and Spidifen in Italy, Derm Up in Italy and Spain, Fluimare Hypertonico and Isotonico in Brazil).

Italy is the main market for Zambon Pharma, with sales equal to 115 million euros, growing compared with the previous year, despite a strong reduction in price particularly for Monuril (with a further price erosion of 2 million euros compared to the previous year).

Spain was confirmed as the second country, with total net sales equal to 96 million euros and a variation equal to +5% compared with the previous year, supported by the sale of Flutox, Fluimucil and Monuroil.



SpA through the three key areas:

acturing and Innovation

France registered a significant recovery compared with the previous year, with a 13% increase, driven by the growth of all the main brands, particularly Fluimucil, Rinofluimucil, Monuril and Biocalyptolo.

The growth of Belgium was significant (+15%, with net proceeds equal to 22 million euros), supported by the reorganization and focusing of the sales force.

Holland also registered an increase in net product sales equal to 1.6 million euros compared with the previous year, showing net product proceeds equal to 12 million euros.

The most spectacular of the emerging markets was the performance of Brazil, which registered an increase equal to 4.6 million euros compared with the previous year, also partially favoured by a positive exchange effect.

The performance of the CIS was also good (and particularly the Russian, Ukrainian and Kazakh markets), with a significant increase for Rinofluimucil and Monuril.

The contribution of Colombia was also positive, registering an increase in double figures compared with 2006, while the growth in the Chinese market was contained, also undergoing a change in the distribution model during 2007.



Italy is the

main market for the Zambon

Group, with sales equal

to 115 million euros,

growing compared with

the previous year.

Spain was confirmed

as the second country,

with total net sales equal to

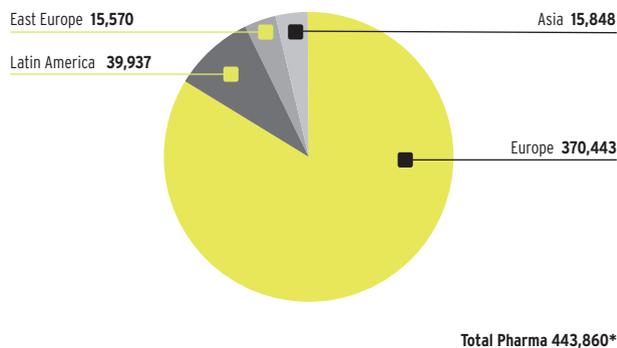
96 million euros





Zambon SpA contributed to the overall sale to strong development in the emerging markets and

2007 the main markets in euros



*of which 1,517 Intercompany to ZaCh, 544 R&D revenues

Zambon research

During 2007 the research activities in the clinical sphere of Zambon SpA prevalently involved the respiratory, gynaecological and dermatological areas. In particular, the studies continued on the most serious respiratory pathologies, in collaboration with national and international research centres and results are already expected in 2008.

In the respiratory sphere the study of the activity of the Flumucil in the treatment of exacerbations in patients with Chronic Obstructive Bronchopneumopathy continued with a positive effect of the inclusion of new patients, enabling us to foresee its conclusion during 2008.

In 2007 all the pre-study preparations were finally made that were necessary for participation in important clinical research into Idiopathic Pulmonary Fibrosis, patronized by

the U.S. NIH, the aim of which is evaluation of the treatment with Flumucil of patients affected by this serious yet sadly neglected pathology. Other opportunities for the extension of lines in the gynaecological and respiratory areas have also been analyzed.

In the dermatological field Zambon SpA has contributed decisively to the formulation of a clinical study of glycerophosphoinositol acid in the paediatric sphere, above all in relation to atopic dermatitis involving two specialist centres in Spain (Barcelona and Madrid).

Pharmaceutical technology continues its activity to respond better to the demands of the market and to improve the characteristics of our whole list. We have supported and favoured the utilisation of the Macrolides project - the result of Zambon research - through an operation of transfer of the project to a company created by a group of researchers, also with expected economic returns for our company.

Prospects for the Zambon pharmaceutical sector

In 2008 activities and investments have continued on the strategic brands Flumucil and Spedifen, accompanied by new launches and by the development of the business in the emerging countries.

In the core markets the growth of the main brands will be sustained by the further development of the multitarget strategy, successfully launched in 2007



es of the group to the tune of 87%, thanks to the consolidation of growth in the mature markets

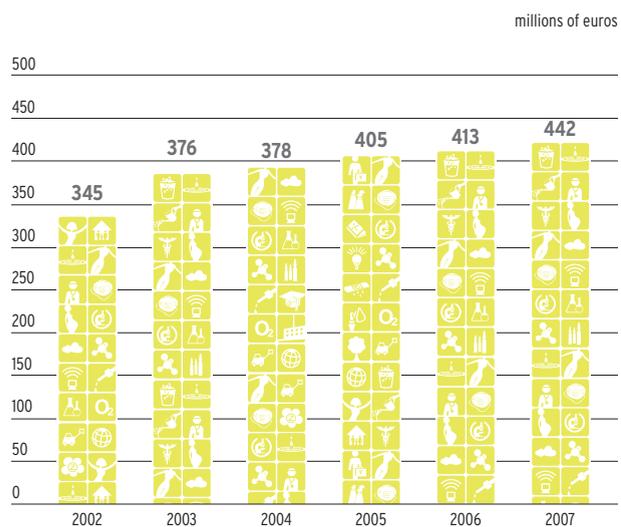
to build “umbrella brands”. This will be combined with the consolidation of the “dual approach” of management of the business with the presence both of medical scientific information and of direct sales in the pharmacy. The continuing development of the OTC portfolio is confirmed, also sustained by the launch of the new campaigns of communication to the consumer.

In January the television advertising campaign for Fluimucil was launched in Italy, France and Belgium, which will be also on the air in Brazil from June, and in Russia, with Rinofluimucil.

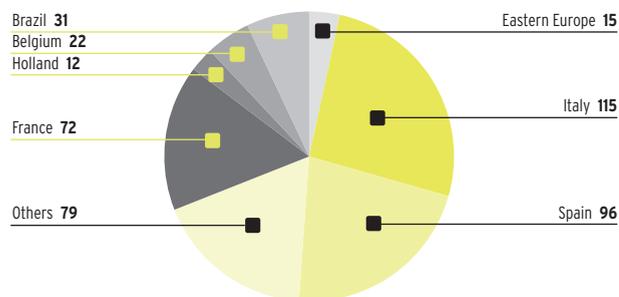
The emerging countries play an important role in defence of the Zambon Pharma business, particularly Brazil and Russia (CIS area), where we expect to continue with double-figure growth, through the expansion of the product portfolio and the development of self-

medication of the key brands, supported by communication activities to the consumer.

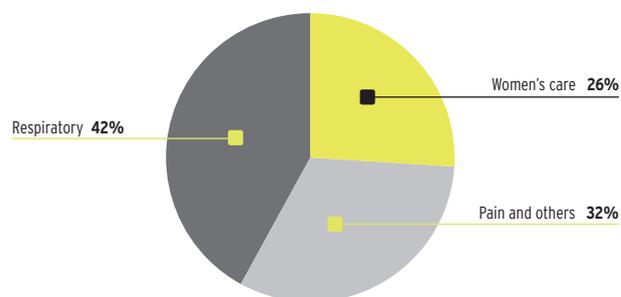
2007 total net sales



2007 sales per geographical area in millions of euros



2007 sales per treatment area (%)





Z-Cube: a “Scouting & Broker and development of innovati

Z-Cube. Believing in innovation

A new road for a new scenario

The continued increase in the costs of research and development and the increasing difficulty in identifying genuinely promising new active principles have prompted pharmaceutical firms to approach the development of new drugs more seriously and efficiently, in particular speeding up the race to obtain products whose innovative capacity translates into clinical advantages that are quickly communicable to the market.

The need to achieve “early commitments” between final formulation and industrial process, between efficiency of costs and early forecasting of results on a large scale is more acute than ever.

For these reasons, Zambon has decided upon a new strategic orientation for the Z-Cube incubator, concentrating the attention on the identification of innovative drug delivery technologies.

This new characterization means Z-Cube is operating

in the international panorama of drug delivery technologies (DDTs) as a “Scouting & Broker Company”, focusing on the development of innovative DDTs.

The mission of Z-Cube is therefore to identify, finance and support the validation of these technologies, selecting in particular those that reveal the potential to generate innovative drugs that are capable of offering significant clinical advantages in the treatment areas of interest for Zambon.

There are three priority objectives of Z-Cube:

- 1) to expand and coordinate an “innovation network”** in collaboration with university groups, incubators, start-up companies and other operators of “early-stage DDT development”;
- 2) to transform the DDTs that appear promising in the initial phases of development into commercial opportunities;**
- 3) to transfer the innovative drugs** that use these DDTs to Zambon for complete development.



Company" for the identification ve Drug Delivery technologies



The strategic approach chosen by Z-Cube is of the type "build rather than buy": or rather, to work in close co-ordination with the sources of the DDTs, managing the phases of early testing, proof of concept and technical evaluation. This path should lead, in parallel, to a more mature technology that is capable of attracting industrial or financial partners, as well as to new drugs to be included in Zambon's pipeline of development.

In the sphere of this new strategic orientation, Z-Cube will expand the network of international relations developed in the previous years with the world of Drug Delivery, utilising on a new horizon the innovative research-oriented model consolidated and appreciated not only at national level.



The mission

of Z-Cube is to identify
and support the validation of
Drug Delivery technologies,
selecting those that have
revealed the potential
to generate innovative
products







**Why are we
different?
The balance
sheet of a
company is made
of numbers.
In our Group
it is made first
and foremost
of people.**

This who work with us share our values more than anything else. It is they who, in over a century of history, have enabled us to get where we are and to analyze our future from the right perspective. The brilliant results are only the logical consequence of a personal commitment made by every member of the Group. That is, to accept the risks associated with every project for change and evolution, bringing themselves into play and demonstrating their qualities. That is why we are different. That is our strength.

People

PEOPLE AS A FUNDAMENTAL STIMULUS

and human

IN THE REALIZATION OF STRATEGIES

relations

OF INNOVATION AND DEVELOPMENT

A guide for change

The moral and professional values of Zambon are born and take shape around the concept of the person.

Zambon recognizes and encourages integrity, talent, enthusiasm and the drive for innovation of the people who work in the Group and guide its success. In this context, the management of human resources, which has been transformed naturally into a valuing of human relationships, has accompanied the realization of the company's strategies of innovation and development.

In 2007 the priorities that the Human Relations function has set itself, in its role of orientation and coordination of the activities of the various businesses and the various subsidiaries, have been:

- ▶ to favour processes of change
- ▶ to facilitate the assimilation and appropriation of the new organisational paradigms
- ▶ to make the operational models coherent with the strategic objectives of the Group

All this has found its realization in a series of integrated actions, which are described below:



Systematic organization of the body of internal rules

all Zambon's activities are governed by a series of internal regulations that define, at various levels, the values, guiding principles and

operating methods for running the business.

The organizational evolution of the Group has required a systematic organization of this body of rules, with the definition of their hierarchies, of the formalities of realization and diffusion and of the responsibilities in administering them.



Adjustment of the Human Relations policies:

the values and fundamental principles that must characterize all the Zambon environments in the management of human relations have been defined, adapting them to suit the new structures and new priorities.

These are the distinctive and qualifying features of the management of Human Relations and are common to all the staff of the Group, irrespective of the activity performed or the country in which they operate.



Support and coordination of development initiatives:

the Human Relations area has operated alongside the business functions in the analysis and redesigning of critical areas for the overall success of the Group.

In particular, in 2007 the efforts were focused in the development of the processes of Purchasing and Operational Planning of the pharmaceutical business, with the aim of maximizing efficiency and governance in sourcing





The management of human relationships of the company's innovation



Zambon

recognizes and encourages
the integrity, talent
and innovative drive
of the people who work
in the Group and guide
its success



processes and optimizing interactions between the Commercial and Production areas.



Legal Compliance and Corporate Governance: the evolutions in regulations require a constant alignment of processes and instruments for internal management, so as to always guarantee perfect harmony between the legal provisions and actions of the Zambon staff.

For this reason, 2007 saw the Human Relations department committed to develop processes, organizational structures and management systems in line with the new provisions on the subject of the administrative responsibility of enterprises and the safeguarding of privacy.



Evolution of management systems: the Group's new organizational structures have also made it necessary to redesign some internal operational management systems.

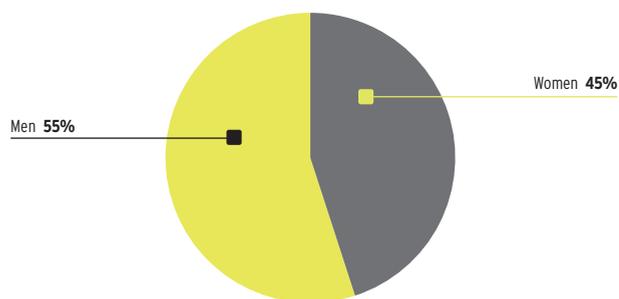
In particular, the Human Relations department has contributed to maximizing the advantages deriving from an integrated management of cross-business activities.

In parallel, the adaptation of the system of mandatory powers and written authorities has ensured the consistency between the system of roles and responsibilities with the structure of formal powers.

ps plays a central role in the realization and development strategies



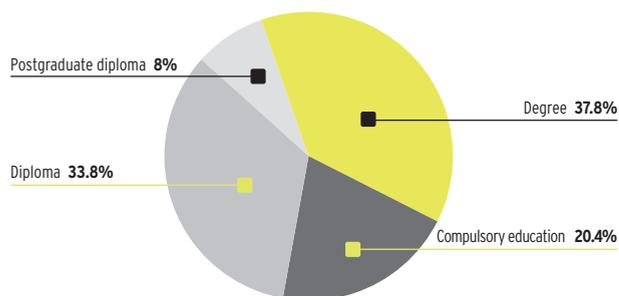
Composition by gender



Percentage of female staff

45%

Education



45.8%

of graduates, of whom 8% with Masters and PhDs





The Zambon

company culture is
 characterized by
 a natural vocation for living
 values and emotions
 “together”, also in
 the business



Benvivere

The Zambon company culture is characterized by a natural vocation for living common values and emotions, strongly integrated into the business, which are manifested in the people's desire to express talent, curiosity and the pleasure of being and working together.

Onto these historical foundations, during 2007 Zambons grafted a project that has given new vigour to their culture: Benvivere.

Benvivere: a new philosophy

The celebration of the Centenary, in 2006, offered the opportunity for Zambon to consider the historical moment being experienced, the challenges to be faced, the changes to be made, the culture and values in which to be recognized.

A unique opportunity for analysis and planning, in which the entire organization participated through a project of listening and involvement, which then translated into concrete initiatives.

2007 was therefore an important stage in the choices that the company made in relation to and with its people.



“Good Living” and “Good Working”

Benvivere comes about from the consideration that the outside and inside of a company are environments regulated by similar principles and linked in a virtuous reciprocity: satisfied people, who in the company feel they can live fully their own personal, as well as professional characteristics, are people who live their working dimension with great enthusiasm and creativity.

All this not out of mere considerations of improving productivity, but in the conviction that living your work with motivation and energy is more gratifying than doing it otherwise.

The “Benvivere” (Good Living) project, inspired by the internal culture of the Group, has reaffirmed and renovated the identity and sense of belonging of a community that makes Benvivere its vocation.

During 2007 the project took concrete shape first of all in terms of a new way of working.

In addition to a new layout, common areas have been created that are capable of providing stimuli and new services, such as the Kreativitiy Workshop, totally devoted to leisure time, where moments of involvement and socialization are also organized that leave out-

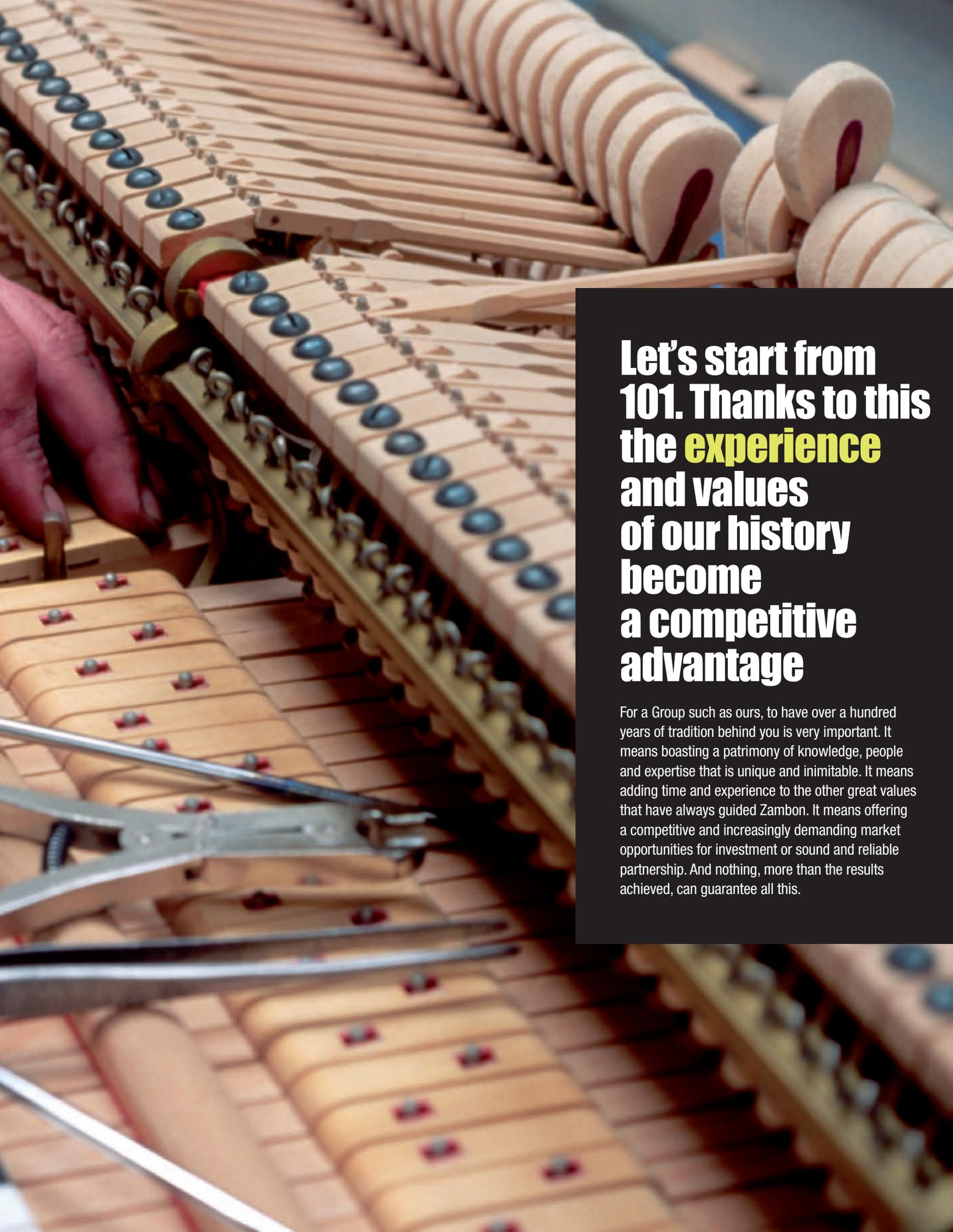
side status and professional roles, such as the art installations along the common areas - corridors, halls, stairways - or the poetry readings. The aim is that to foster contact with art and with talent, stimulating the creativity of individuals.

“Good Living” and “Good Working”

The strong involvement of people has activated new energies and ideas, strengthening the common vision of values and the demand for mechanisms, procedures, initiatives and company policies that are consistent with this new culture of “good living”, to transfer it to “good working”.







Let's start from 101. Thanks to this the **experience and values of our history become a competitive advantage**

For a Group such as ours, to have over a hundred years of tradition behind you is very important. It means boasting a patrimony of knowledge, people and expertise that is unique and inimitable. It means adding time and experience to the other great values that have always guided Zambon. It means offering a competitive and increasingly demanding market opportunities for investment or sound and reliable partnership. And nothing, more than the results achieved, can guarantee all this.

The company's

THE GROUP RESPONSE TO THE DEMANDS

social

FOR SOCIAL COMMITMENT IN THE WORLD

responsibility

AND FOR IMPROVEMENT IN WORKING CONDITIONS



he social responsibility of the company has always been, for Zambon, a constant commitment to create value in a sustainable way. Zambon is aware that training plays a fundamental role in the development of young people

and intends to facilitate this and to stimulate them to realize their potential. To this end Zambon, to coincide with the centenary of its foundation, has established an international programme of grants, called “Giovani Energie” (Young Energies) destined for the children of its employees, with the following objectives:

-  To support the education of those whose family is in a particularly serious or difficult situation;
-  To reward and stimulate those who have particularly distinguished themselves in the course of studies they have undertaken.

Beginning from 2006, Zambon has further promoted its own initiatives in the sphere of Corporate Social Responsibility and this creative and concrete process also continued in 2007, but with a difference: alongside the initiatives of solidarity and social develop-

ment and the persistent attention to improving the working conditions in the company, it also launched a project of great scope, namely the creation of the Zoè (Zambon Open Education) Foundation.

ZOÉ: Zambon Open Education

Ever since its foundation, in 1906, Zambon has set the health of people and the value of knowledge as a constituent elements of its business philosophy: there cannot be progress in healthcare without the continuous development of knowledge and the capacity to anticipate, recognize and interpret the changes in society and the very concept of health.

Reinterpreting this key idea, on the occasion of its first centenary of activity, Zambon has established the Zambon Open Education Foundation.

This is an initiative intended to transmit outside the company the same spirit of enterprise that has made knowledge and scientific study the bases for the growth of the Group.





The Zoè foundation was cre of awareness on the themes

The aim of the Foundation is to grow awareness on the themes of health and wellbeing among public opinion and health operators - physicians, chemists, social operators, associations - through the realization and diffusion of research, studies and training schemes, in collaboration with experts, universities and national and international study centres.

The Zoè Foundation operates autonomously in the field of activity defined, under the guidance of a scientific committee composed of independent experts, called upon to read the reality and to anticipate, recognize and interpret changes in society and the concept of health, as well as to pass the research projects. The Scientific Committee is composed of: Gianpaolo Azzoni, Domenico De Masi, Maria Giovanna Ruberto, Francesco Sartori, Giovanni Siri and Carmelo Vigna.

ZOÉ's areas of research

The main thematic area in which ZOÉ intends to operate is that of communication on the themes of health and wellbeing: a sector still with a limited presence, despite an increasing demand from numerous players in the health system. Within this thematic area, ZOÉ will develop a specific topic annually, around which various activities will be developed: research, conferences, training courses and scientific and non-specialist publications.

ZOÉ and the territory

ZOÉ has established its headquarters in Vicenza, the city where Zambon came about more than a century ago now. In this way, in addition to its scientific contribution, the Foundation also intends to contribute to enhancing the civic and cultural quality of the city, creating a pole of excellence and cooperation between the enterprise and the urban fabric in which it works.

The collaborations in action

The Foundation has already prepared two projects of collaboration, with the University of Pavia and with the San Raffaele Hospital in Milan.

In Pavia ZOÉ is sponsoring the university course on the communication of health, for students of medicine, proposing it as a discipline of study and teaching alongside the clinical disciplines.

With San Raffaele ZOÉ is participating in the launch of a series of masters degrees devoted to training in communication for health professionals. The first course will be a Masters in Hospital Communication.

Solidarity Initiatives

During 2007 the solidarity activities traditionally practised inside the company were also rethought, in



ated to favour the growth of health and wellbeing



order to favour the involvement and participation of all the Zambon people. Falling within this logic is the launch of certain solidarity initiatives in order to mobilize the emotional and economic resources and values of those who operate at Zambon.

Groups of people within the Group have decided voluntarily to take responsibility for the identification and selection of the opportunities for possible solidarity actions to be proposed for participation by colleagues, also defining the methods of intervention and the planning of the activities over time.

The first concrete initiative was a collection of funds for the construction of the hundredth water well in Cameroon: the construction of a well not only makes it possible to prevent the contracting of infectious diseases, but to improve people's health, particularly in the Cameroon where three people out of five do not have access to drinking water.

Furthermore, starting from December 2007, Zambon has supported CityCibo: an initiative promoted by a non-profit organization to collect up surplus food from restaurants and to distribute it to various welfare organizations, including support communities, night shelters and soup kitchens for the poor.

Zambon takes responsibility for packaging and storing the products until they are collected by CityCibo,

who then handles the distribution through its own network of volunteers. The initiative has met with considerable approval at the company and numerous staff members have expressed their willingness to participate in the distribution of the reclaimed food.

Health, safety and the environment

Though with all the changes and innovations introduced in 2007, the Zambon Group has not reduced its attention to health and safety in the working environments and the sustainability of development.

Zambon has adopted the international certifications of environmental management and is a member of the voluntary programme of the international chemistry-pharmaceutical industry, "Responsible Care".







**Always
believing in
our targets.
That is
the origin of our
credibility.**

They say a job well done pays. It is true, and our results demonstrate that. Ever since Zambon was formed, there has been always been a strong drive for growth and improvement. Not only of products and business strategies, but also of objectives. And every time a target was reached, everyone was already working towards the next one. Certain that the road taken was the right one. Convinced that the ideas were right. Even at the most difficult times. If today our Group is increasingly winning the markets' trust, it is also thanks to this spirit.

Report

Financial Summary	44
Independent Auditors' Report	48
Consolidated Financial Statements	50
Notes to the Consolidated Financial Statements	56
Zambon Worldwide	100

Financial
Summary
2007

FINANCIAL SUMMARY



The financial results reported for 2007 are positive: Group revenues grew to Euro 510 million gaining significant headway from the year before (F/Y 2006: Euro 469 million) primarily due to organic growth and sales compounded in December by way of attendant consequence of the Fine Chemicals business acquired from PPG Industries Inc.

Operating profit stepped forward Euro 44 million to Euro 103 million (F/Y 2006: Euro 59 million) powered by revenue growth and production costs pruned downward to Euro 423 million in fiscal 2007 (F/Y 2006: Euro 421 million).

EBITDA was Euro 130 million or Euro 31 million more than the year before (F/Y 2006: Euro 99 million).

After taxation and minority interests in the amount of Euro 36 million and Euro 0.1 million, respectively, the Group delivered net income in the amount of Euro 73 million for the year ended December 31, 2007 (F/Y 2006: net income in the amount of Euro 39 million).

The following table sets out the analysis of the result for the year:

Accounts in Euro/'000

	F/Y 2007	F/Y 2006	Change
Revenues	509,851	469,447	40,404
Other revenues and income	16,103	13,464	2,639
Change in inventory (semi-finished goods/finished goods)	201	-2,399	2,600
Production costs	422,754	421,108	1,646
Operating profit	103,401	59,404	43,997
Financial income/(expenses)	6,159	2,595	3,564
Extraordinary income/(expenses)	0	1,053	-1,053
Income tax	36,175	24,127	12,048
Profit attributable to minority interest	137	131	6
Profit for the year	73,248	38,794	34,454

As compared to equity in the amount of Euro 277 million, capital employed was ploughed over the last twelve months toward fixed assets in the amount of Euro 157 million.





Capital employed is analyzed as follows:

Accounts in Euro/'000

Capital employed	F/Y 2007	F/Y 2006	Change
Fixed assets, Net	156,738	145,114	11,624
Net working capital	18,335	22,758	-4,423
Capital employed (less current liabilities)	175,073	167,872	7,201
Reserve for employee termination indemnities	-12,822	-14,422	1,660
Net capital employed	162,251	153,450	8,801
Equity	277,012	228,527	48,485
Net financial position	-114,761	-75,077	-39,684
Total Sources of funds	162,251	153,450	8,801

Over the last twelve months, fixed assets, net, moved forward Euro 12 million primarily as a result of fixed asset investments in the amount of Euro 40 million arising from or relating to the acquisition from PPG Industries Inc., depreciation and amortization (Euro 25 million) and disposals (Euro 2.5 million).

Primarily pushing through the Euro 4 million year-on-year decrease in net working capital was the negative change in the differential between accounts payable and accounts receivable (-Euro 22 million) and bolt-on inventory (+ Euro 18 million).

Net capital employed reflects a year-on-year increase in the amount of Euro 9 million.

Consolidated equity as at December 31, 2007 was Euro 277 million (December 31, 2006: Euro 229 million), or Euro 48 million more than the year before, correlated to profit for the year and dividend payout.

FINANCIAL POSITION

 The consolidated net financial position of the Group as at December 31, 2007 was Euro 115 million positive (December 31, 2006: Euro 75 million positive), mainly as a result of upward curved cash and cash equivalents.

Accounts in Euro/'000

Analysis of net financial position	F/Y 2007	F/Y 2006	Change
Current financial payables	-3,259	-8,958	5,699
Non-current financial payables	-12,668	-15,926	3,258
Financial receivables	0	424	-424
Financial assets not representing fixed assets	4,006	17,620	13,614
Cash and cash equivalents	126,682	81,917	44,765
Net financial position	114,761	75,077	39,684

PERSONNEL EXPENSES



As at December 31, 2007, the Group employed 2,488 people (December 31, 2006: 2,205 full-time equivalents), or 283 people more than the year before.

Sector	F/Y 2007	F/Y 2006
Production	959	648
Marketing	1,032	1,112
R&D and Medical Marketing	215	198
G&A	282	247
Total	2,488	2,205

As reported in the consolidated financial statements, personnel expenses as at December 31, 2007 totaled Euro 119 million (December 31, 2006: Euro 119 million). Primarily pushing through organic growth was the acquisition of the Fine Chemicals business from PPG Industries Inc.

CAPITAL INVESTMENTS



Over the last twelve months, capital investment was ploughed into tangible fixed assets (property, plant and equipment) in the amount of Euro 34 million. Most of this relates to the acquisition transaction put in place by the subsidiary ZaCh System S.p.A. in the review period.

Other capital investments relate to works carried out at certain production workshops in the production sites at Vicenza and other works reaching completion and, not least, to electronic machinery, research lab instrumentation and fixtures installed.

Over the last twelve months, capital investment was ploughed into intangible fixed assets (software property licenses, other licenses, patents, trademarks and certifications) in the amount of Euro 2.5 million.



Independent

PURSUANT TO ART. 2409-TER OF THE ITALIAN CIVIL CODE

Auditors'

Report

REPORT OF INDEPENDENT AUDITORS PURSUANT TO ART. 2409-TER OF THE ITALIAN CIVIL CODE

(Translation from the original issued in Italian)

To the Shareholders of ZAMBON COMPANY S.p.A.

We have audited the consolidated financial statements of Zambon Company S.p.A. and its Subsidiaries as of and for the year ended December 31, 2007. The Directors of Zambon Company S.p.A. are responsible for the preparation and fair presentation of these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted standards on auditing. In accordance with those standards, we planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the consolidated financial statements are free from material misstatement. An audit includes examination, on a test basis, of evidence relevant to the accounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the consolidated financial statements and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed. We believe that our audit provides a reasonable basis for forming our opinion.

For our opinion on the prior year's consolidated financial statements, which are presented for comparative purposes as required by law, reference should be made to our auditors' report issued on June 1, 2007.

In our opinion, the consolidated financial statements of Zambon Company S.p.A. as at December 31, 2007 have been properly prepared and give a true and fair view of the financial position, results of operations and cash flows of Zambon Company S.p.A. and its Subsidiaries for the year then ended.

DELOITTE & TOUCHE S.p.A.

s/Stefano Dell'Orto
Partner

Milan, Italy
June 4, 2008

*This report has been translated into the English language
solely for the convenience of international readers.*



Consolidated

FOR THE YEAR ENDED DECEMBER 31, 2007

Financial

ZAMBON COMPANY S.P.A. AND ITS SUBSIDIARIES

Statements

CONSOLIDATED BALANCE SHEET

Accounts in Euro/'000

Assets	2007	2006
A) DUE FROM SHAREHOLDERS		
for capital not paid in	0	0
B) FIXED ASSETS		
I INTANGIBLE FIXED ASSETS		
1 Incorporation and subsequent expenses	13	17
3 Industrial patent and intellectual property rights		
4 Concessions, licenses, trademarks and similar rights	9,839	13,749
6 Consolidation difference	0	0
7 Payments on account	1,000	730
8 Other	2,909	2,586
Total	13,761	17,082
II TANGIBLE FIXED ASSETS		
1 Land and buildings	53,081	50,648
2 Plant and machinery	67,444	60,150
3 Production and commercial equipment	670	1,280
4 Other	4,635	4,450
5 Tangibles under construction and payments on account	5,931	4,002
Total	131,761	120,530
III FINANCIAL FIXED ASSETS		
1 Investments		
b) Associated companies	348	348
d) Other enterprises	5,158	1,731
2 Receivables		
d) Other (amounts due within 12 months)	95	121
(amounts due after 12 months)	625	317
3 Investment securities	4,990	4,985
4 Own shares		
Total	11,216	7,502
Total Fixed assets	156,738	145,114



CONSOLIDATED BALANCE SHEET

Accounts in Euro/'000

Assets		2007	2006
C) CURRENT ASSETS			
I INVENTORIES			
1	Raw materials, ancillary materials and consumables	19,236	12,979
2	Work-in-progress and semi-finished goods	20,780	10,776
4	Finished goods and goods for resale	39,844	38,260
5	Advances	101	0
Total		79,961	62,015
II RECEIVABLES			
1	Trade	(amounts due within 12 months)	113,191
			107,296
4	Parent companies	(amounts due within 12 months)	2,297
			424
4-bis	Receivable/Recoverable from taxation authorities	(amounts due within 12 months)	10,019
			3,273
4-ter	Prepaid taxes	(amounts due within 12 months)	9,666
			11,099
5	Other	(amounts due within 12 months)	8,438
			4,025
		(amounts due after 12 months)	700
			203
Total		144,311	126,320
III FINANCIAL ASSETS NOT REPRESENTING FIXED ASSETS			
6	Marketable securities	4,006	17,620
Total		4,006	17,620
IV CASH AT BANK AND ON HAND			
1	Bank and post-office deposits	126,466	81,651
3	Cash and valuables on hand	216	266
Total		126,682	81,917
Total Current assets		354,960	287,872
D) PREPAID EXPENSES AND ACCRUED INCOME			
1	Accrued income	1,209	1,266
2	Prepaid expenses	2,027	1,425
Totale		3,236	2,691
Total Current assets		514,934	435,677



CONSOLIDATED BALANCE SHEET

Accounts in Euro/'000

Equity and liabilities		2007	2006
A) SHAREHOLDERS' EQUITY			
I	SHARE CAPITAL	16,623	16,623
II	SHARE PREMIUM RESERVE		
III	REVALUATION RESERVES	1,334	1,334
IV	LEGAL RESERVE	3,324	3,324
V	RESERVE FOR TREASURY STOCK	0	0
VI	STATUTORY RESERVES	0	0
VII	OTHER RESERVES		
	Restricted reserve as per Art. 2430 of Italian Civil Code	0	0
VIII	RETAINED EARNINGS (ACCUMULATED DEFICIT) AND CUMULATIVE TRANSLATION ADJUSTMENT	181,733	167,807
IX	NET INCOME (LOSS) FOR ACCOUNTING PERIOD	73,248	38,794
Shareholders' equity after minority interest		276,262	227,882
	Minority interest	750	645
Shareholders' equity before minority interest		277,012	228,527
B) RESERVES FOR RISKS AND CHARGES			
1	Severance indemnities and similar obligations	3,906	1,999
2	Taxation, including deferred taxation	6,821	4,305
3	Other	26,968	27,524
	Reserve for other risks		
Total		37,695	33,828
C) RESERVE FOR EMPLOYEE TERMINATION INDEMNITIES			
	TFR reserve	12,822	14,422
D) PAYABLES			
3	Banks		
	(amounts due within 12 months)	1,215	2,749
	(amounts due after 12 months)	419	1,633
4	Other financiers		
	(amounts due within 12 months)	2,044	1,990
	(amounts due after 12 months)	12,249	14,293
5	Advances		
	(amounts due within 12 months)	3,389	4,733
6	Suppliers		
	(amounts due within 12 months)	87,556	71,206
	(amounts due after 12 months)	0	0
10	Parent companies		
	(amounts due within 12 months)	13,229	4,219
11	Taxes		
	(amounts due within 12 months)	26,650	19,811
	(amounts due after 12 months)	0	0
12	Provident and social security institutions		
	(amounts due within 12 months)	6,626	4,842
13	Other		
	(amounts due within 12 months)	22,110	18,816
	(amounts due after 12 months)		
Total		175,487	144,292



CONSOLIDATED BALANCE SHEET

Accounts in Euro/'000

Equity and liabilities	2007	2006
E) ACCRUED EXPENSES AND DEFERRED INCOME		
1 Deferred income	1,398	2,548
2 Accrued expenses	10,520	12,060
Total	11,918	14,608
Total Equity and Liabilities	514,934	435,677
MEMORANDUM ACCOUNTS		
GUARANTEES GIVEN AND RECEIVED		
Mortgages and pledges	0	0
Guarantees given	18,879	63,782
Guarantees received	0	302
Other memorandum accounts	1,290	0
Total Memorandum Accounts	20,169	64,084

CONSOLIDATED INCOME STATEMENT

Accounts in Euro/'000

	F/Y 2007	F/Y 2006
A) VALORE DELLA PRODUZIONE:		
1 Revenues from the sale of goods and services	509,851	469,447
2 Change in semi-finished goods and finished goods	201	(2,399)
3 Other revenues and income	16,103	13,464
Total	526,155	480,512
B) PRODUCTION COSTS:		
6 Raw materials, ancillary materials, consumables and goods for resale	131,207	130,315
7 Service costs	105,370	102,402
8 Expenses relating to the use of third party assets	8,650	10,084
9 Personnel:		
a) Salaries and wages	85,876	87,765
b) Social contributions	24,120	23,421
c) Employee termination indemnities	2,728	2,656
d) Severance and similar charges	938	1,460
e) Other	5,759	4,069
10 Depreciation and write-downs:		
a) Amortization of intangible fixed assets	5,002	13,073
b) Depreciation of tangible fixed assets	20,419	20,695
c) Write-down of intangible and tangible fixed assets	100	2,186
d) Write-down of receivables	925	3,671



CONSOLIDATED INCOME STATEMENT

Accounts in Euro/'000

	F/Y 2007	F/Y 2006
11 Change in raw materials, ancillary materials, consumables and goods for resale	(2,845)	(3,504)
12 Provision for risks	2,771	1,852
13 Other provisions	2,335	0
14 Other operating expenses	29,399	20,960
Total	422,754	421,108
DIFFERENCE BETWEEN THE VALUE OF PRODUCTION AND PRODUCTION COSTS (A-B)	103,401	59,404
C) FINANCIAL INCOME AND EXPENSES:		
15 Income from investments	600	500
16 Other financial income	5,213	2,124
17 Interest and other financial charges	(1,808)	(2,000)
17-bis Foreign exchange gains/(losses)	2,159	1,979
Total	6,164	2,603
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS:		
18 Revaluations	0	0
19 Write-downs	(5)	(8)
Total	(5)	(8)
E) EXTRAORDINARY INCOME AND EXPENSES:		
20 Income	0	5,092
21 Expenses	0	(4,039)
Total	0	1,053
INCOME BEFORE INCOME TAX	109.560	63.052
22 INCOME TAX		
Current income tax	35,751	23,424
Deferred income tax	424	703
Total	36,175	24,127
F) MINORITY INTEREST IN NET INCOME FOR THE YEAR	137	131
23 Net income for the year	73,248	38,794



Notes to the

FOR THE YEAR ENDED DECEMBER 31, 2007

Consolidated

ZAMBON COMPANY S.P.A.

Financial Statement

FORM AND CONTENT OF THE FINANCIAL STATEMENTS

The consolidated financial statements for 2007 have been prepared in accordance with the Italian Civil Code and, more pointedly, with Italian legislative decree 127/1991. The consolidated financial statements are represented by the consolidated balance sheet and the consolidated income statement (prepared in accordance with the format set out in Articles 2424, 2424-bis, 2425 and 2425-bis of the Italian Civil Code), and these explanatory Notes.

The Notes, which form an integral part of the consolidated financial statements, serve to illustrate, analyze and, in certain cases, explain the data included in the consolidated financial statements, and contain that information which is required by the Italian Civil Code and by the accounting standards relating to the preparation and presentation of consolidated accounts issued by the Italian Accounting Board (O.I.C.). The Notes also provide all that information which is deemed to be necessary to present a true and fair view of the financial and operating situation of the Group, even though such information may not be specifically required by law. In particular, the statement of consolidated cash flows and the statement of changes in consolidated shareholders' equity are set out as attachment to the consolidated financial statements.

The consolidated financial statements have been prepared from the statutory financial statements approved by the Boards of Directors or other corporate bodies of the individual companies included in the consolidation. Such financial statements have been reclassified, where necessary, to conform with the format required by Articles 2424, 2424-bis, 2425 and 2425-bis of the Italian Civil Code and adjusted, pursuant to Article 2426 of the Italian Civil Code, interpreted and integrated, where applicable, by the accounting principles established by the Italian Accounting Profession (National Boards of Dottori Commercialisti e dei Ragionieri), as implemented and endorsed by the Italian Accounting Board (OIC).

As of December 31, 2007, the consolidated financial statements of Zambon Company S.p.A. (formerly Zambon S.p.A.) and its Subsidiaries comprise the accounts of all subsidiary undertakings, consolidated on a line-by-line basis, in which Zambon Company S.p.A. holds directly or indirectly more than 50% of share capital.

The list of the principal subsidiary undertakings consolidated on a line-by-line basis is set out as an attachment to the consolidated financial statements in Appendix 1.

The investee company DOC Generici S.r.l. (Italy), in which a 33% is held, is carried at cost in the consolidated financial statements, insofar as neither de facto control nor the power to govern the financial and operating policies of the investee is presumed to exist.



RECLASSIFICATION OF PRIOR YEAR CONSOLIDATED ACCOUNTS

In order to ensure a more immediate grasp of the consolidated financial statements as at December 31, 2007, certain prior year consolidated balance sheet and consolidated income statement items have been reclassified. Such reclassifications are devoid of effects on consolidated net income as at December 31, 2006 and consolidated shareholders' equity for the year then ended.

CONSOLIDATION PRINCIPLES

The more significant principles of consolidation used in the preparation of the consolidated financial statements for 2007 are as follows:



The assets and liabilities, revenues and expenses of the companies consolidated on a line-by-line basis are included in the consolidated financial statements after eliminating the book value of the investments against the companies related shareholders' equity.



In the case of acquisitions of businesses, the acquired identifiable assets, liabilities and contingent liabilities are recorded at fair value at the date of acquisition. Any excess of the cost of the business combination over the Group's interest in the fair value of those assets and liabilities is classified as goodwill and recorded in the financial statements as an intangible asset. Negative goodwill (badwill), representing the excess of the fair value of assets acquired above the fair value of consideration paid, arising on acquisitions, is drawn down against the acquired identifiable assets or recognized in an appropriate reserve.



The portion of shareholders' equity and results of operations attributed to minority interests held in consolidated subsidiaries are disclosed separately within the consolidated balance sheet and the consolidated income statement.



Intragroup balances and intragroup transactions, including sales, expenses and dividends, are eliminated in full. Unrealized profits resulting from Group transactions that are included in the carrying amount of assets, such as inventory and fixed assets, are eliminated in full.



The financial statements used for the consolidation were those prepared by the individual companies as at December 31, 2007, and approved at the respective shareholders' meetings or, otherwise, prepared by the Directors for subsequent approval. Where applicable, such financial statements have been reclassified and adjusted in order to apply consistently Group presentation criteria and accounting policies.

All undertakings included in the consolidation have accounting dates which are coterminous with the parent company, aside from the subsidiary undertaking Zambon India Pvt. Ltd. whose financial year ends on March 31 each year. In consequence, an interim statement of accounts as at December 31, 2007 has been prepared and presented by the latter for consolidation purposes.



Having regard to the consolidation of the income statement items of the subsidiaries ZaCh System S.A. and ZaCh System Corporation, attention is drawn to the following:

(i) in terms of the ZaCh System S.A., the value included in the consolidation relates to December 2007, and December 2007 only, in that the subsidiary was acquired from PPG Industries Inc. with legal and accounting effect as from November 30, 2007;

(ii) in terms of ZaCh System Corporation (formerly Zambon Corporation), the value included in the consolidation relates to the fine chemicals business line acquired from PPG Industries Inc. with effect from November 30, 2007 and, not least, to minimum ordinary operations as from January 1, 2007.

ACCOUNTING POLICIES

The more significant accounting policies applied in the preparation of the consolidated financial statements for 2007 are as follows:

INTANGIBLE FIXED ASSETS

Intangible fixed assets are stated at purchase price, including accessory expenses, are amortized at constant rates over a period of three to ten years, according to the remaining possibilities of utilizing the related assets or the respective lease term attaching thereto. Differences arising on consolidation are amortized, on the other hand, over a period of five years. The assets are written down to reflect any impairment, other than temporary, in value at the consolidated balance sheet date. If, in subsequent periods, the reasons for the write-down cease to apply, the asset is reinstated.

TANGIBLE FIXED ASSETS

Tangible fixed assets, other than the fixed assets of the Italian companies, are stated generally at cost. The fixed assets of the Italian companies have been adjusted in prior periods in order to reflect revaluations recorded in application of currently prevailing revaluation laws (as partial adjustment of the effects of inflation) or the fair value of fixed assets following extraordinary business restructuring or items of property, plant and equipment contributed to new investee companies. Net positive balances resulting from revaluations or restructuring are credited to consolidated shareholders' equity. As discussed in more detail further ahead, the fixed assets of the undertakings ZaCh System S.A. and ZaCh System Corporation are included in the accounts as from acquisition date (November 30, 2007), the related carrying amount of which mirrors fair value, as adjusted on a proportionate basis by the goodwill arising on acquisition.

The assets are depreciated systematically each period at constant rates on the basis of economic/technical rates determined according to the remaining possibilities of utilizing the related assets. The rates applied are as follows:





Buildings	2.7% to 5%
Plant and machinery	7.5% to 20%
Equipment	10% to 40%
Other assets	10% to 40%

Tangible fixed assets, the economic value of which at the consolidated balance sheet date is permanently lower than the residual cost depreciable, are written down to their economic value. If, in subsequent periods, the reasons for the write-down cease to apply, the asset is restated at cost.

Start-up production costs for new products and ordinary maintenance costs are charged against the income statement as incurred.

FINANCIAL FIXED ASSETS

Equity investments are measured at acquisition cost, as written down to reflect any impairment, other than temporary, in value, when the investments have sustained losses and no profit is forecast for the immediate future which might absorb the losses incurred. The original value is reinstated in future periods, when the reasons for the write-down cease to apply. Should the subsidiary undertakings incur losses in excess of the carrying amount of the investment, provision is made for risks.

Financial receivables are stated at their nominal value, as written down by recording an appropriate allowance for doubtful accounts.

INVENTORIES

Inventories are measured at the lower of weighted average purchase or production cost and presumed realizable value based on market conditions. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Cost is determined in accordance with the same criteria as applied to tangible fixed assets.

Presumed realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Obsolete and slow-moving inventories are written down on the basis of their possible utilization or saleability.

Write-downs are written back in subsequent periods if the reasons for the write-down cease to apply.

RECEIVABLES

Receivables are carried at their presumed realizable value, net of an allowance for doubtful accounts. As required by Article 2427.6 of the Italian Civil Code, accounts receivable from entities not based in Italy are shown separately, when significant in amount, in the Notes.

Payables

Payables are stated at their nominal value.

Provision is made for employee vacation payable and deferred remuneration, including therein related social security contributions, based on the liability that would be due on employment termination, if any, at the consolidated balance sheet date. As required by Article 2427.6 of the Italian Civil Code, accounts payable to entities not based in Italy are shown separately in the Notes.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are stated at their nominal value and include cash on hand, deposits held at banks, other short-term highly liquid investments with original maturities of one year or less, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities on the face of the consolidated balance sheet.

ACCOUNTS RECEIVABLE OR PAYABLE DENOMINATED IN FOREIGN CURRENCY

Receivables and payables denominated in foreign currency at the consolidated balance sheet date are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate.

Monetary assets and liabilities and, not least, financial receivables classified as financial fixed assets, denominated in foreign currency at the consolidated balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Foreign exchange gains and losses arising on translation of receivables and payables denominated in foreign currency are taken to the consolidated income statement and credited or debited, respectively, under account line 17-bis "Foreign exchange gains/(losses).

The rates of exchange applied are sourced from the Bank of Italy.

RESERVES FOR RISKS AND CHARGES

Reserves for risks and charges are provided to cover certain or probable losses or liabilities for which the exact value and effective date are not determinable at the year-end. The reserves represent the best estimate possible based on information currently available. Risks that may only possibly result in a liability are disclosed, based on their significance, in the Notes but not provided in the reserves for risks and charges.

ACCRUALS AND DEFERRALS

Accruals and deferrals include the portion of revenues and expenses covering two or more periods, in accordance with the accrual basis of accounting.

RESERVE FOR EMPLOYEE TERMINATION INDEMNITIES (TFR)

The reserve for employee termination indemnities (TFT) is determined, for the Italian companies, in accordance with current legislation, national labor contracts and additional indemnities agreed at the company level. This reserve reflects the full liability due to employees in service at the consolidated balance sheet date. Looking at the companies incorporated and organized under the laws of Italy, the reserve for employee termination indemnities is accrued taking into account the pension reform laws covered by Law 296 enacted on December 27, 2006, which introduced new rules for TFR allocations maturing with effect from January 1, 2007.

Looking at the foreign companies, the reserve for employee termination indemnities is determined in accordance with current legislation and collective labor contracts, and reflects the full liability due to employees in service at the consolidated balance sheet date.





INCOME TAXES

Provision for current and deferred income taxes payable is recorded by each Group company substantially on the basis of reasonable estimates of the taxable income for the year. Deferred taxation reflects the provisions recorded by the consolidated companies for tax liabilities arising from temporary differences between taxable income and reported income, consolidation adjustments and any adjustments recorded to conform with Group accounting policies.

Deferred tax assets are recognized if, and only if, it is probable that future taxable profit will be available against which the temporary difference can be utilized.

RESEARCH AND DEVELOPMENT

Research and development expenditure is charged to the consolidated income statement in the period in which it is incurred. Government grants toward research are credited to income in the financial period in which collection becomes certain.

REVENUES AND COSTS

Revenues from sales, the costs of purchase, production and sale and generally all other income and expenses are recognized in accordance with the accrual basis of accounting.

The Group companies operate primarily in country regions in which the selling prices of specialty pharmaceuticals are mandatory.

EXTRAORDINARY INCOME/(EXPENSES)

Encompassed within this account line are items of income and expense deemed to be extraordinary in nature and out-of-period items of income and expense and, not least, items of income and expense resulting from any change in accounting policies.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments, including therein contracts to purchase/sell foreign currency forward, used to hedge exposure to fluctuations in currency rates, are recognized in the memorandum accounts. The related gains and losses resulting therefrom are taken to the income statement on an accrual basis over the term of the respective contract; to the extent that such instruments are matched against an underlying asset or liability, these are accounted for using hedge accounting. Diversely, should the relationship between a hedging instrument and the item hedged not be effectively demonstrable in terms of amount, due-date and nature of the derivative, this is measured at fair value with the corresponding entry being the income statement.

LEASES

As required by the accounting principles established by the Italian Accounting Board (O.I.C.), assets held under lease are recognized, where applicable, in accordance with the finance method.

NATIONAL CONSOLIDATED RETURN

By way of attendant consequence of the Zambon Group S.p.A. spin-off, seeing modification on January 1, 2007 was the breadth and scope of the national consolidated return, thereby stretching out to encompass the two beneficiary undertakings, Zambon S.p.A. and ZaCh System S.p.A., of the pharmaceutical and fine chemicals business lines, respectively. As a consequence thereof, an all-new national tax consolidation agreement was drawn up and sealed on January 11, 2007.

The national tax consolidation for your Company with maturity profile December 31, 2007 will be renewed with the right to exercise the option allowing the Company to submit its national tax consolidated return to the Inland Revenue by and before the end of the sixth month of the first financial year subsequent to the three-year option period, i.e. by and before June 30, 2008.

Of note, Gefim S.r.l. continues to be the tax consolidating entity.

As a result of adhering formally to the consolidated tax return, tax payments and settlements are centralized at the consolidating entity level, with the attendant consequence being centralized tax compliance and obligations. In a nutshell, the individual subsidiaries no longer have any direct relationship with taxation authorities in terms of tax payments and settlements, albeit those subsidiaries are responsible individually for the related tax returns underlying the consolidated tax return.

TRANSLATION CRITERIA FOR FINANCIAL STATEMENTS DENOMINATED IN FOREIGN CURRENCY

The financial statements denominated in foreign currency are translated into Euro as follows: income statement items are translated at the average rate of exchange for the year, whilst balance sheet items are translated at the respective rate of exchange applying at year-end, excluding therefrom the result for the period, which, insofar as being a component of the income statement, is translated at the average rate of exchange for the year. The differences resulting from translation of the result for the period at average exchange rates rather than year-end rates are accounted for as movements in consolidated shareholders' equity.

Foreign currency	F/Y 2007 Balance sheet	F/Y 2007 Income statement	F/Y 2006 Balance sheet	F/Y 2006 Income statement
Swiss franc	1.6547	1.6427	1.6069	1.5729
U.S. dollar	1.4721	1.3704	1.3170	1.2556
Columbian peso	2,969.59	2,841.49	2,949.75	2,965.86
Brazilian real	2.6107	2.6637	2.8133	2.7331
Indonesian rupee	13,826.70	12,528.325	11,844.40	11,512.3761
Indian rupee	58.021	56.5715	58.2975	56.9098
RMB - PRC	10.7524	10.4178	10.2793	10.0096

The consolidated financial statements have been translated into English from the original version in Italian. They have been prepared in accordance with the accounting principles established by the Italian law related to consolidated financial statements, which may not conform with generally accepted accounting principles in other countries.





OTHER INFORMATION

Given the accounting and strategic importance held by the transaction put in place by the subsidiary ZaCh System S.p.A. in the period under review, the more significant aspects of that transaction and the related accounting effects resulting therefrom are examined and discussed below.

Looking at fine chemicals business activities, signed and sealed with PPG Industries Inc. in the review period, and taking effect as from December 1, 2007, was a significant acquisition agreement relating to the fine chemicals division. All of this culminated into following:

- i) a production site in Laporte (Texas, USA) being acquired by ZaCh System Corporation (formerly Zambon Corporation);
- ii) a 100% stake being acquired in ZaCh System S.A. (formerly PPG Sypsy S.A.S.), titleholder to an important production site at Avrillè (France); and
- iii) significant patents being acquired by ZaCh System S.p.A.

The purpose of the acquisition transaction referred to above was focused around positioning the Group as a major player and capturing market shares in the fine chemicals sector for the production of intermediate and active principles, whether for other Group companies or for unrelated parties. On comparison of the fair value of the net activities acquired and the purchase price consideration paid at the date on which the acquisition became effective, a negative difference, i.e. badwill, emerged. More pointedly, the fair value of the net activities acquired was determined also on the basis of independent expert reports appraising the value of the fixed assets attaching to the production sites located in France and in the United States and, not least, the related useful life expectancy thereof. In consequence, the badwill thus identified was attributed, on first-time consolidation, to the lower value of the fixed assets, taking into account the activities needed to integrate those production sites into the Group and, not least, the applicable Accounting Standards and Accounting Principles of reference.

The key financial highlights resulting therefrom are summarized below by production site:

	Accounts in Euro/000	
	France	USA
Available funds	11,017	0
Fixed assets	30,207	49,508
Other assets and liabilities, Net	2,810	2,033
Fair value	44,034	51,541
Purchase price consideration	39,743	3,333
Badwill	-4,291	-48,208
Financial impact of the acquisition		
Purchase price consideration		-43,076
Available funds		11,017
		-32,059 (*)

(*) including accessory charges and excluding patents

Of note, as yet in progress at the date on which the consolidated financial statements were drawn up were certain talks and negotiation focused around defining the price adjustment. This might unfold into changes, whether in terms of the purchase price consideration or the amounts reported above.

HEADCOUNT

The average number of Group employees in service as at December 31, 2007 is analyzed below by employee category:

Average number of Group employees by employee category	F/Y 2007	F/Y 2006
Managers	117	112
Supervisors and clerks	1,703	1,702
Intermediates and workers	527	434
Total	2,347	2,248

CONSOLIDATED BALANCE SHEET

INTANGIBLE FIXED ASSETS

	F/Y 2007 Gross value	F/Y 2007 Accumul. amortiz.	F/Y 2007 Net value	F/Y 2006 Net value
Incorporation and subsequent expenses	21	(8)	13	17
Concessions, licenses and trademarks	65,375	(55,536)	9,839	13,749
Payments on account	1,000		1,000	
Other intangible fixed assets	16,650	(13,741)	2,909	3,316
Total	83,046	(69,285)	13,761	17,082

The following table sets out the relevant movement for the year:

Descrizione	Incorporation and subsequent expenses	Concessions licenses and trademarks	Other intangibles/ payments on account	Total
Balance at December 31, 2006	17	13,749	3,316	17,082
Additions for the year		261	2,266	2,527
Decrease for the year		(646)	(192)	(838)
Reclassifications				0
Revaluations/Write-downs				0
Amortization	(4)	(3,525)	(1,481)	(5,010)
Balance at December 31, 2007	13	9,839	3,909	13,761

These include patents, trademarks, licenses, software and other intangible fixed assets, and are stated at purchase price, less amortization. The balance on this account stepped back in the review period to reflect a net decrease of Euro 3,342 thousand, mainly due to the effect of amortization for the period.





Capital expenditure for the period, Euro 2,527 thousand, relates primarily to leasehold improvements and renovation of the B1 building encompassed within the property unit located in Bresso and, not least, to advances toward new licenses acquired and pharmaceutical product distribution agreements.

Also encompassed therein is the amount of Euro 477 thousand by way of attendant consequence of the patents purchased from PPG Industries Inc. as part of the fine chemicals acquisition transaction, involving the fine chemical business line's industrial processes.

The amortization charge for the period amounts to Euro 5,002 thousand.

TANGIBLE FIXED ASSETS

As at December 31, 2007, long-term fixed assets and accumulated depreciation are analyzed below by fixed asset:

Accounts in Euro/'000

	F/Y 2007 Gross value	F/Y 2007 Accumulated depreciation	F/Y 2007 Net value	F/Y 2006 Net value
Land and buildings	139,745	86,66420	53,081	50,648
Plant and machinery	268,099	200,655	67,444	60,150
Production and commercial equipment	8,379	7,709	670	1,280
Other tangible fixed assets	20,918	16,283	4,635	4,450
Tangibles in course of construction and payments on account	5,931		5,931	4,002
Total	443,072	311,311	131,761	120,530

The more significant changes in net tangible fixed assets for 2007 are set out below:

Accounts in Euro/'000

	F/Y 2007	F/Y 2006
Opening balance	120,530	133,743
Capital expenditure	6,759	11,288
Changes in the scope of consolidation	27,216	0
Differences arising on translation of financial statements denominated in foreign currency	(674)	(1,161)
Divestments and devaluation	(1,651)	(2,645)
Depreciation	(20,419)	(20,695)
Ending balance	131,761	120,530

The following table sets out the movement for the year on tangible fixed assets, including therein the effects arising from changes in the scope of consolidation:

Accounts in Euro/’000

	Land and buildings	Plant and machinery	Production and commercial equipment	Other assets	Tangibles under constru. payments on account	Total
Balance at December 31, 2006	50.648	60.150	1.280	4.450	4.002	120.530
Additions for the year	226	462	145	1,349	4,577	6,759
Additions due to changed scope of consolidation	7,399	17,634	54	987	1,142	27,216
Reclassifications	(484)	3,201	64	151	(3,606)	(674)
Decrease for the year	(202)	(461)	(126)	(678)	(184)	(1,651)
Depreciation / Badwill	(4,506)	(13,542)	(747)	(1,624)	0	(20,419)
Balance at December 31, 2007	53,081	67,444	670	4,635	5,931	131,761

More pointedly, the balance on “additions due to changed scope of consolidation” relates to the impact driven through by the acquisition and first-time consolidation of the fine chemicals business acquired from PPG Industries Inc. (legal entity in France and business line for the USA), as examined and discussed earlier under the heading "Other information".

Other tangible fixed asset additions for the year relate primarily to the following:

 **LAND AND BUILDINGS:** flooring and modernization works in certain production workshops as far as land and buildings are concerned, as well as refits under way at the Via Lillo del Duca premises in Bresso (Milan) in the amount of some Euro 1,000 thousand.

 **PLANT AND MACHINERY:** completion of work-in-progress seeing inception the year before and relating, more particularly, to gas purification systems, forced ventilation systems, centrifugal works and other factory plant works purchased in the amount of Euro 4,404 thousand. Of this, Euro 1,202 thousand relates to the completion of work-in-progress seeing inception the year before and relating, more particularly, to all-new factory technology developed in the field of compacted preparations, pharmaceuticals and other production machinery works.

 **OTHER TANGIBLE FIXED ASSETS:** completion and the installation of electronic machinery and fixtures purchased the year before in the amount of Euro 72 thousand.

As if any reminder were needed, Zambon Immobiliare S.p.A. transferred on October 5, 2005 the property unit located in Bresso (represented by industrial buildings, management offices, a parking area assigned to employees, ancillary fixed installations - such as electric system and heating system - and relevant appurtenances) to a leasing company (LOCAT Leasing S.p.A.) and, at the same time, entered into finance lease arrangements in respect of the said property unit and appurtenances.

The finance lease carries a term of eight years, saving exercise, by Zambon Immobiliare S.p.A., of the early redemption right attaching to the property, exercisable as from eighteen months after lease inception.





The selling price consideration, Euro 23,528 thousand, relating to the property unit transferred to LOCAT Leasing S.p.A., gave rise to a capital gain for Zambon Immobiliare S.p.A. in the amount of Euro 14,126 thousand, which has been deferred over the lease term.

Furthermore, in order to ensure a more immediate grasp of the financial position of the Group as at December 31, 2007 and its financial performance and cash flows for the year then ended, the sale and leaseback transaction has been accounted for in the consolidated accounts under the finance method required by the accounting principles established by O.I.C. Adopting the O.I.C. finance method involves recognizing the assets held under finance lease and the related lease obligations in the balance sheet at the fair value of the leased assets at the inception of the lease. The excess of the lease payments over the recorded lease obligations are treated as finance charges which are amortized over each lease term to give a constant rate of charge on the remaining balance of the obligation.

FINANCIAL FIXED ASSETS

As at December 31, 2007 and 2006, financial fixed assets are analyzed as follows:

Accounts in Euro/'000

Equity investments	F/Y 2007	F/Y 2006
Associated companies		
Doc Generici S.r.l.	348	348
Total	348	348
Other enterprises		
Futura	1,364	0
Other minor investments	3,794	1,731
Totale	5,158	1,731
Receivables		
Other financial receivables (falling due within 12 months)	95	121
Other financial receivables (falling due after 12 months)	625	317
Investment securities	4,990	4,985
Total	11,216	7,502

Primarily pushing through the year-on-year increase in "Investments in other enterprises" were the investments put in place by Z-Cube S.r.l. and more pointedly, the 30% stake acquired in Pharmeste Italia S.r.l. and the 13% stake acquired in ProtAffin Austria. For both of these, consensus expectation is geared toward research being carried forward on a continuing basis along with the necessary funds being collected. However, the valuation of the investments takes into account the items recognized within the reserves for risks in the amount of Euro 2,335 thousand.

Underwritten in the review period was a 2.02% stake in the share capital of Futura Invest S.p.A., an asset management company that invests in private equity funds and/or directly in enterprises spe-

cializing in the services and industrial sector.

All of this was put in place by exchanging the quotas of the subsidiary Z Cube S.r.l. for the shares of the said asset management company.

As acquired in the period under review by virtue of a year-to-date agreement that provided for 40% of the quotas of the subsidiary Z Cube S.r.l. being exchanged for a 2.02% stake in the share capital of Futura Invest S.p.A., the underlying purpose thereof was a form of financial investing other than permanent.

Should the investment assumptions envisaged at the time when the Zambon Group joined the Futura Invest's shareholder structure fail to crystallize, the 40% interest in Z Cube S.r.l. would be repurchased and the shares held in Futura Invest S.p.A. would be divested at an agreed value and at preset dates.

This also culminated into a reserve for "other risks" being set aside for an amount totaling Euro 994 thousand by way of adjusting the acquisition of the residual 40% of Z Cube S.r.l. to the value attributed to the quota held by the Group as at December 31, 2007.

Looking at the items classified under "other investments", attention is drawn, as if any reminder were needed, to the agreements reached in the review period with a leading real-estate company. These contemplated the formation on a par basis of a new company, known as Bresso Energia S.r.l. with share capital of Euro 10,000, the declared strategic intent of which is focused around the formation and operational maintenance of a co-generation plant at Bresso for the delivery of thermal, electric and refrigeration energy to the Zambon proprietary production site.

"Investment securities" relate to a 5-year one-shot mixed insurance policy subject to revaluation entered into by Zambon Immobiliare S.p.A. with the primary insurance company Generali Vita S.p.A. so as to invest some of the liquidity generated by the sale and leaseback of the property unit located in Bresso.

All accounts receivable fall due within five years.

INVENTORIES

As at December 31, 2007 and 2006, inventories are analyzed as follows:

	Accounts in Euro/'000	
	F/Y 2007	F/Y 2006
Raw materials, ancillary materials and consumables	19,236	12,979
Work-in-progress and semi-finished products	20,780	10,776
Finished products (incl. samples) and goods for resale	39,844	38,260
Advances	101	0
Total	79,961	62,015





In the amount of Euro 18,000 thousand, inventories stem from changes in the scope of consolidation in the review period.

As primarily pushed through by changes in the scope of consolidation, the year-on-year net increase in inventory, amounting to Euro 17,946 thousand, less the effect of translation in the amount of Euro 223 thousand, is detailed below by company:

Company	Amount
Zambon Group	(28,904)
Zambon S.p.A.	8,147
ZaCh System Italy S.p.A. - Italy	23,350
ZaCh System France S.A. - France (formerly PPG)	15,569
Zambon Corporation USA - USA (formerly PPG)	2,735
Zambon GmbH - Germany	(1,563)
Zambon S.A. - Belgium	(2,498)
Pharmazam S.A. - Spain	(2,914)
Zambon S.A. - Spain	(340)
Zambon Italia S.r.l. - Italy	(698)
Zambon Brazil - Brazil	1,088
Zambon Switzerland - Switzerland	1,419
Other	2,555
Total	17,946

Inventories are stated on a net basis, i.e. less write-down reserves, the value of which and related movement thereon is set forth in the following table:

Accounts in Euro/000

	Raw materials/consumables	Semi-finished goods	Finished goods	Total
Balance at December 31, 2006	449	3,824	5,220	9,493
Provision for the year	625	69	1,126	1,820
Use for the year			(2,763)	(2,763)
Balance at December 31, 2007	1,074	3,893	3,583	8,550

TRADE RECEIVABLES

As at December 31, 2007 and 2006, trade receivables are analyzed below by Group company locations:

Accounts in Euro/'000

Trade receivables	F/Y 2007	F/Y 2006
Italy:		
Total trade receivables falling due within 12 months	57,623	53,550
Less - Write-downs	(4,535)	(5,506)
	53,088	48,044
Rest of the world:		
Total trade receivables falling due within 12 months	65,270	64,154
Less - Write-downs	(5,167)	(4,902)
	60,103	59,252
Total Trade receivables, Net amounts falling due within 12 months	113,191	107,296

As at December 31, 2007 and 2006, receivables and the related write-down reserve of the Italian companies include default interest in the amount of Euro 1,228 thousand and Euro 1,134 thousand, respectively, as written down wholly, whether in application of current tax legislation or in accordance with the principle of prudence. As if any reminder were needed, the financial effect pushed through by default interest income is recognized as and when collected

Primarily pushing through the year-on-year increase approximating Euro 5,895 thousand in trade receivables (less reserve for the write-down of receivables) was the following: decrease in the amount of Euro 12.372 thousand in Zambon Group S.p.A.; increase in the amount of Euro 1,840 thousand in Zambon S.p.A.; increase in the amount of Euro 15,093 thousand in ZaCh Italia S.p.A.; increase in the amount of Euro 5,517 thousand in ZaCh System S.A. (France), and; decrease in the amount of Euro 3,488 thousand in Zambon France.

By way of attendant consequence of the change in the scope of consolidation, primarily pushing through the movement for the year was the impact waged by ZaCh System S.A. insofar as the impact waged by ZaCh System Corporation was marginal.

Trade receivables as at December 31, 2006 and 2005 are analyzed below by geographic region:

Accounts in Euro/'000

Trade receivables by geographic region	F/Y -2007	F/Y 2006
Europe	90,845	84,116
America	8,656	14,462
Pacific Asia and other	13,690	8,718
Total	113,191	107,296



The movement for the year on the reserve for the write-down of receivables is detailed below:

Accounts in Euro/'000

Reserve for the write-down of receivables	
Balance at December 31, 2006	10,408
Provision for the year	925
Use for the year	(1,409)
Balance at December 31, 2007	9,924

All trade accounts receivable fall due within five years.

AMOUNTS DUE FROM PARENT COMPANIES

falling due within next accounting period

	F/Y 2007	F/Y 2006
Due from Gefim S.r.l.	2,297	424
Total	2,297	424

As at December 31, 2007 and 2006, amounts due from parent companies came to Euro 2,297 thousand and Euro 424 thousand, respectively, and relate primarily to amounts receivable in relation to the consolidated tax return to which the Italian companies have adhered formally.

TAX CREDITS

As at December 31, 2007 and 2006, tax credits are composed of the following:

Accounts in Euro/'000

	F/Y 2007	F/Y 2006
VAT recoverable	6,931	1,883
Tax credits	3,022	1,298
Advance withholding tax on employee termination indemnities	66	92
Total	10,019	3,273

DEFERRED TAX ASSETS

in migliaia di Euro

	F/Y 2007	F/Y 2006
Deferred tax assets	9,666	11,099
Total	9,666	11,099

As at December 31, 2007 and 2006, deferred tax assets, amounting to Euro 9,666 thousand and Euro 11,099 thousand, respectively, relate primarily to deferred tax assets recognized by the subsidiary undertakings

Zambon Group S.p.A., Zambon France S.A., Zambon S.p.A. and Zambon Immobiliare S.p.A. The movement for the year mainly relates to Zambon Immobiliare S.p.A.

The deferred tax asset account is analyzed as follows:

Accounts in Euro/'000

Deferred tax asset account analysis	Tax asset	Tax rate	Tax
Year-to-date losses ZaCh System Corporation	826	35.00%	290
Provident reserves ZaCh System S.A.	1,000	33.00%	330
Other reserves ZaCh System S.A.	1,440	33.00%	475
Reserves for risks Zambon Group S.p.A.	11,749	27.50%	3,231
Premiums (MBO)	1,040	27.50%	286
Trademark amortization	1,520	31.40%	477
Entertainment expenses	250	27.50%	69
Tax impact on leaseback	4,500	31.40%	1,413
Impact arising from consolidation entries	1,838	31.40%	577
Other			2,518
Total	24,163		9,666

Not recognized for reasons of prudence are deferred tax assets arising from temporary differences where the timing of reversal of the temporary differences is neither quantifiable nor determinable; the balance thereon equates Euro 2,850 thousand.

OTHER RECEIVABLES

As at December 31, 2007 and 2006, amounts due from unrelated parties are composed of the following:

Accounts in Euro/'000

	F/Y 2007	F/Y2006
Other receivables falling due within 12 months:		
Advances to suppliers	1,670	718
Advances to employees	984	820
Due from provident and social security institutions	536	868
Reimbursement for NAC 1.2 g	0	258
Escrow account for Conforma S.p.A. disposal deposit	203	0
ZaCh France fixed asset transfer	350	0
Due from Applied Pharma Research S.A. within 12 months	2,904	0
Zambon Brazil judicial deposits	389	0
Other	2,102	1,361
	9,138	4,025
Other receivables falling due after 12 months:		
Escrow account for Conforma S.p.A. disposal deposit	0	203
Total	9,138	4,228





Other receivables falling due within 12 months relate, in the amount of Euro 203 thousand, to the escrow account associated with the disposal of the investment in Confarma S.p.A. by way of securing any losses in the value of the shares in fiscal 2007 and collectible in fiscal 2008. Classified the year before under *Other receivables falling due after 12 months*, this has been reclassified to *Other receivables falling due within 12 months* insofar as collectible in fiscal 2008 along with equalization, if any.

Amounts due from Applied Pharma Research S.A. (APR) in Berne (Switzerland) relate wholly to the accounts receivable by Zambon S.p.A. as a result of a settlement agreed in December 2007 in relation to the termination of a pharmaceutical license agreement. As referred to above, the settlement provides for a two-shot payment, i.e. Euro 2,204 thousand no later than first-half 2008 and Euro 700 thousand no later than end 2008; duly collected at the date when the consolidated financial statements for 2007 were authorized for issue was the first installment thereof.

MARKETABLE SECURITIES

	F/Y 2007	F/Y 2006
Marketable securities	4,006	17,620
Total	4,006	17,620

Marketable securities relate to the JP Morgan investment funds in which Zambon Immobiliare S.p.A. has invested some of the liquidity generated by the sale and leaseback of the property unit located in Bresso. The JP Morgan investment funds are invested primarily in fixed-income securities and monetary market instruments, the related risk of which attaching thereto is practically negligible. The year-on-year decrease is attributable to some of these investment funds being divested and deployed in more remunerative bank investment funds.

Given the nature of the counterpart and, not least, the nature of the investments put in place by the bank investment funds, the investments deployed are subject to an insignificant risk of changes in value.

Accounts in Euro/'000

Investment fund	Nominal quantity	Average price	Market price	Market value	Difference
JP Morgan Invest. Strat. Funds	25,158.95	104.65	106.97	2,691,253	58,398
JPM rv2 Euro Funds	751.95	11,065.57	11,264.37	8,470,243	149,486
CAAM Arbitrage var 2 Funds	919.00	2,878.19	2,973.95	2,733,060	88,007
Lux. Invest. Funds	4,000.00	1,000.00	1,002.72	4,010,880	10,880
Other minor funds				-	-
Total as at December 31, 2006				17,905,436	306,771
Lux. Invest. Funds	4,000.00	1,000.00	1,032.35	4,129,400	129,400
Total as at December 31, 2007	4,000	1,000	1,032	4,129,400	129,400

The investment funds are held for the temporary deployment of liquid funds and are denominated in Euro and, as a consequence, are not subject to foreign exchange risk. In 2007, the market price valuation was made taking as a benchmark the quotations communicated by the asset management company JP Morgan. The investment funds are measured at the lower of underwriting cost or market value (fair value). Further details thereon can be found in the section 'Memorandum Accounts'. Driving through the year-on-year movement was the divestment of a fair part of the investment funds held the year before at December 31, 2006.

CASH AND CASH EQUIVALENTS AND BANK AND POST-OFFICE DEPOSITS

As at December 31, 2007 and 2006, bank and post-office deposits are as follows:

Accounts in Euro/'000

	F/Y 2007	F/Y 2006
Term deposits	85,000	24,400
Current accounts + Cash and cash equivalents	41,682	57,517
Total	126,682	81,917

As a result of treasury cash-pooling, these are held primarily by Zambon Company S.p.A., and are deployed in short-term demand deposits. Also encompassed therein are 1-month term deposits in the amount of Euro 85,000 thousand, the purpose of which is designed toward enhancing financing activities, and only financing activities, by seeking out forms of short-term investment with higher yields and returns on investment. Further details and information about the year-on-year change in cash and cash equivalents and bank and post-office deposits can be found in the consolidated cash flow statement set out as an attachment to the consolidated financial statements for the year ended December 31, 2007.

SHAREHOLDERS' EQUITY

	F/Y 2007	F/Y 2006
Shareholders' equity	277,012	228,527
Total	277,012	228,527

Shareholders' equity as at December 31, 2007 is detailed as follows:

Accounts in Euro/'000

	Share capital	Legal reserve	Reval. reserve	Retain. earn./ (accum. deficit)	Result for the year	Attributable to Group	Min. interest in cap. and equi. res	Total
At January 1, 2006	16,623	3,324	1,334	155,759	23,739	200,779	559	201,338
Allocation of result for the year				23,739	(23,739)	0		0
Dividend payout				(6,971)		(6,971)		(6,971)
Translation difference				(4,634)		(4,634)		(4,634)
Change in minority int.				(86)		(86)	86	0
Result for the year					38,794	38,794		38,794
At December 31, 2006	16,623	3,324	1,334	167,807	38,794	227,882	645	228,527





Accounts in Euro/'000

	Share capital	Legal reserve	Reval. reserve	Retain. earn./ (accum. deficit)	Result for the year	Attributable to Group	Min. interest in cap. and equi. res	Total
Attribution of result as at December 31, 2006				38,794	(38,794)	0		0
Allocation of result for the year						0		0
Dividend payout				(21,020)		(21,020)		(21,020)
Translation difference on conversion of financial statements of foreign operations				(3,743)		(3,743)		(3,743)
Change in minority int.				(105)		(105)	105	0
Result for the year					73,248	73,248		73,248
Minority interest								
At December 31, 2006	16,623	3,324	1,334	181,733	73,248	276,262	750	277,012

As at December 31, 2007 and 2006, share capital is represented by 2,144,880 shares with a par value of Euro 7.75 each.

REVALUATION RESERVES

As at December 31, 2007 and 2006, the revaluation reserves are composed of the following:

Accounts in Euro/'000

Revaluation reserves	F/Y 2007	F/Y 2006
Revaluation reserves recorded in application of local laws:		
Italian companies:		
Revaluation for monetary equalization	95	95
Revaluation pursuant to Law 413/1991	1,239	1,239
Total	1,334	1,334

OTHER RESERVES AND RETAINED EARNINGS

As at December 31, 2007 and 2006, these reserves are composed of the following:

Accounts in Euro/'000

Other reserves and retained earnings	F/Y 2007	F/Y 2006
Other reserves, retained earnings relative to prior years	156,703	146,826
Cumulative translation adjustment reserve	25,030	20,981
Total	181,733	167,807

The movement for the year on the cumulative translation adjustment reserve reflects the effect of converting into Euro investee company financial statements denominated in foreign currency, less translation differences reclassified from indivisible profits following intragroup distributions of profits.

As required by the recently amended Article 2427 of the Italian Civil Code, set forth in Appendix 3 are the accounts making up parent shareholders' equity, analyzed by source of origin, use and tax status on distribution.

MINORITY INTEREST IN CAPITAL AND EQUITY RESERVES

As at December 31, 2007, the balance on this account came to Euro 750 thousand (December 31, 2006: Euro 645 thousand).

RECONCILIATION TO STATUTORY FINANCIAL STATEMENTS

As at December 31, 2007 and 2006, reconciliation of shareholders' equity and net income for the year of Zambon Company S.p.A. to consolidated shareholders' equity and consolidated net income for the years then ended is set out below:

Accounts in Euro/'000

	Shareholders' equity		Net income (loss)	
	F/Y 2007	F/Y 2006	F/Y 2007	F/Y 2006
As per statutory financial statements of Zambon Company S.p.A.	157,244	67,870	110,394	39,156
Profit for the year and differing reserves of the consolidated companies, less portion recorded by Zambon Company S.p.A.	252,388	205,984	77,947	68,731
Effect of eliminating intercompany transactions (dividends/intercompany profits), tax-driven adjustments and other items	(133,370)	(45,972)	(115,093)	(69,093)
Minority interest in capital and equity reserves	750	645	0	0
As per consolidated financial statements of Zambon Company S.p.A. and its Subsidiaries	277,012	228,527	73,248	38,794

RESERVES FOR RISKS AND CHARGES

As at December 31, 2007 and 2006, the reserves for risks and charges are analyzed as follows:

Accounts in Euro/'000

	F/Y 2007	F/Y 2006
Reserve for severance indemnities	3,906	1,999
Reserve for deferred taxation	6,821	4,305
Reserve for other future risks and charges	26,968	27,524
Total	37,695	33,828

Other than deferred tax on consolidation adjustments and other adjustments recorded to conform with Group accounting policies, the reserve for deferred taxation reflects provisions accrued by the individual companies on deferred taxable income.

The reserve for other risks and future charges is provided to cover liabilities that might be incurred in future periods. Other risks include estimation of the non-recurring legal charges and expenses that might be incurred in future periods and provisions relating to estimated pharmaceutical specialty future returns and, not least, estimation of the costs that might be incurred for research projects or reshaping the organizational framework of foreign investee companies.





With effect from the current year, a reserve for product risk is accrued for reasons of prudence by the subsidiary undertaking Zambon Italia S.r.l. to cover the risk represented by withdrawal of our medicines from the market as a result of the resolutions taken by AIFA (Italian Medicines Agency) in respect of drug information leaflet updates. In addition thereto, a reserve, accrued in the amount of Euro 1,291 thousand, has been set aside to cover liabilities, if any, arising from the collection, reimbursement or elimination of damaged products and/or products past sell-by date.

Looking at the fine chemicals subsidiary undertakings, ZaCh System S.p.A. has accrued a reserve in the amount of Euro 1,039 to cover any risk that might arise as a result of the significant activities currently being carried forward and developed by the aforementioned subsidiary.

Also encompassed within the reserve for risks and charges is the amount of Euro 12,041 thousand by way of reflection of estimated charges associated with the reclamation works substantially arising from the commitments undertaken in prior years by Zambon Group S.p.A. in respect of the programmed environmental reclamation of the former Zambon site in Vicenza (Via Cappuccini).

In connection thereto, unfolding throughout fiscal 2005 and in first-quarter 2006 were significant and new events associated with the former Zambon site in Vicenza (Via Cappuccini). As a consequence thereof, in order to ensure a more immediate grasp of the situation and better understanding of the reason and cause underlying the substantial provision for risks, set forth below on a summary basis are the circumstances arising from or relating to the site in question.

FOREWORD AND RECONSTRUCTION OF EVENTS AND FACTS

At the end of the Seventies, Zambon relocated its pharmaceutical and chemical-pharmaceutical activities from the production site at Via Cappuccini to the actual production sites bordering on the Municipality of Vicenza (pharmaceutical production) and at Lonigo (chemical-pharmaceutical production), agreeing with the Municipality of Vicenza to exchange the production site with another, with the attendant consequence being that Zambon continued to own 10% of the former production site at Via Cappuccini, which, in all, occupies some 37,000 sq. meters of land, and the Municipality the remainder.

Over the years, the state and condition of the former production site at Via Cappuccini remained unchanged from the state and condition in which it was left by Zambon, insofar as the Municipality has never revamped or reconverted the site (which, for a certain period of time, was used as a waste-tip or a place for dumping wrecked or sequestrated vehicles, etc.).

The ongoing litigation relating to the site in question saw onset in recent years, when the critical issue of site contamination was drawn to the attention of the Municipality as a result of factual findings reported by AMPCS and the on-site surveys and diggings performed by ATER. Following in the wake thereof, notwithstanding two attempts to reach some form of agreement, was a string of writs served by the Municipality of Vicenza and duly challenged by Zambon. However, in order to avoid further prejudicial points of order, the Company abided by those writs and took a proactive approach to clean-up, at its own care and expense,

the more critical areas of contaminated land. Emerging over the course of time, however, were elements attributing co-responsibility and liability to the Municipality of Vicenza, insofar as proprietor of most of the area and negligent in terms of contaminated land clean-up. A co-responsibility and liability which, if recognized as existent, would compel the Municipality to incur to some extent some of the aggregate contaminated land clean-up costs.

SOLUTIONS PROSPECTED AND LIABILITIES EXPECTED TO BE BORNE BY ZAMBON

The objective pursued by Zambon to settle the issue under review is focused around agreeing with the competent Authorities a multi-pronged requalification project for the area as a whole, thereby rendering the land reclamation work more targeted and effective.

In connection thereto, and by way of overviewing the land reclamation work carried throughout the review period, it should be recalled that, following preparation of a contaminated land clean-up project, which placed in evidence that some areas of the land are affected by contamination insofar as reflecting thresholds in excess of the quality of top-soil and stratum regime limits contemplated by the Environmental Protection Act 471/1999, Zambon Group presented to the Municipality of Vicenza, in accordance with Article 17 of Italian legislative decree 22/1997 and the said Environmental Protection Act 471/1999, a Land Reclamation Preliminary Project that provides for the related implementation thereof in successive phases and, more pointedly:



Phase 1, focused around eliminating and/or decontaminating top-surface soil to an extent generically assimilated to the quality of soil standards contemplated by law for industrial areas of land and, not least, sub-surface water reclamation; and



Phase 2, focused around completing the top-surface soil decontamination until attainment of those goals and objectives that will be defined and adopted jointly, with a keen eye steered towards the use and purpose identified in agreement with the Municipality for the decontaminated areas of land and, not least, to the specific building typology contemplated for the areas of land in question.

The land reclamation involves the area of land to which Zambon Group continues to proprietor and, not least, the area of land transferred long since to the Municipality of Vicenza.

On approval of the Preliminary Project, however, the Municipality of Vicenza required Zambon Group, using a somewhat anomalous and technically questionable procedure, to anticipate, prior to drafting Land Reclamation Final Project, Phase 1, certain activities contemplated in the Land Reclamation Preliminary Project, Phase 1, primarily those involving the elimination and/or removal of sub-surface waste.

Accordingly, Zambon Group drafted a Land Reclamation Final Project, Phase 1 - Random Works.

As such, Zambon Group has agreed formally, vis-à-vis the Public Administration, to the obligations set forth in the Land Reclamation Preliminary Project presented on September 20, 2005 and approved by





the Municipality pursuant to Municipal Resolution PG N 58537 dated November 7, 2005 and, not least, the Land Reclamation Final Project, Phase 1 - Random Works, presented on January 2, 2006 and approved by the Municipality under Municipal Resolution PG N 15272 dated March 15, 2006. The obligations take effect as from the date on which the projects referred to above were approved.

A fair part of the work pursuant to the Land Reclamation Final Project, Phase 1 - Random Works, has been carried out in the review period, excluding therefrom some top-soil surfaces located in the south-west part of the disused area where, prior to eliminating the industrial waste, the diggings must be compacted by iron sheet pile. Along with the Random Reclamation contemplated by Phase 1, other works have been put in place in a design to:

-  carry forward Emergency Safety Measures, mainly resulting from the ancillary suction-well discovered on demolition of the flooring in the former 'O' building housed in the south-west area, and neither placed in evidence nor identified in the Requalification Project;
-  reach Site Clean-up completion, with a keen eye steered toward the quality of sub-surface water in downstream areas;
-  gain further information about the quality of the sub-soil surfaces (detailed investigation), all of which focused around Phase 1 final engineering;
-  carry out contaminated land in-site and on-site pilot tests, all of which focused around Phase 1 final engineering;
-  and final engineering of a second series of Phase 1 - Random Works, involving metal spiking reinforcement in the south-west area.

The Land Reclamation Final Project, Phase 1 - Random Works 2nd Series presented on June 11, 2007 was approved by the Vicenza Municipality pursuant to Municipal Resolution PGN 434499 dated August 2, 2007. As scheduled to be incurred part way 2008, the estimated cost of the works envisaged equates Euro 590,300. Accordingly, the Land Reclamation Final Project, Phase 1 Random Works 2nd Series also constitute an obligation for the Zambon Group vis-à-vis the Public Administration.

On a basis consistent with the principles underlying the Emergency Safety Measures and the approved Land Reclamation Preliminary Project, all other works have been performed under the supervision of the appropriate Entities on a continuing basis.

As placed in evidence in the previous valuation regarding the percentage of completion of the land reclamation works, the cost of the land reclamation works to be realized shall be estimated on a more detailed basis once the Land Reclamation Final Project, Phase 1 and Phase 2, have been drafted on a definitive basis, in the actual estimate assumes as probable the land reclamation goals and objectives to be adopted and, moreover, as probable the differing technologies and procedures to be used for the site under review.

Accordingly, based on the foregoing assumptions, it is deemed to be appropriate to continue to place the cost of the Land Reclamation works at a figure ranging from a minimum of Euro 10,750,000 to a maximum of Euro 13,700,000, less unforeseeable charges.

Given the margins of uncertainty attaching to the nature of the works to be realized and the increase in costs driven through by the random works required by the Vicenza Municipality under the Land Reclamation Project, Phase 1 - 1st series, it has been deemed to be appropriate, for reasons of prudence, to adopt a value equating the maximum amount of the gap indicated above plus some 10%, i.e. Euro 15,000,000, for the land reclamation works to be carried out over a period of 3 years at least as from calendar 2006.

Aside from the longer timeline required for land reclamation (one year more) by way of attendant consequence of site clean-up slowdowns mainly driven through by public administration longer timescales and by the latter's late demolition of its proprietary buildings, the foregoing assumption may be deemed to be confirmed.

Analyzing actual costs incurred in respect of the works performed in calendar 2007 and 2006 paves the way toward retaining that the estimates determined remain valid.

Taken as a whole, the costs incurred in calendar 2007 in respect of land reclamation works, safety measures, legal expenses and other accessory, amount to Euro 2,200,000, or marginally in excess of the amount anticipated.

As mentioned earlier, a more precise estimation of the costs involved may be attained once, and only once, the Final Land Reclamation Project, Phase 1 (scheduled for presentation by and before end 2008) has been approved by the Municipality.

As if any reminder were needed, the valuation must be updated from year to year in order to mitigate any margin of error in the estimate, taking into account the outcome of the upcoming Final Land Reclamation Project phases (Phase 1 and Phase 2) and any other ordinances that may be adopted by the Control and Administrative Authorities.

Also encompassed within the reserves for risks are the reserves relating to the investments held by Z Cube S.r.l. Given the high-risk attaching to the investments put in place, a reserve for risks has been set aside in the current year for an amount totaling Euro 2,335 thousand.

The reserves for risks include the amount of Euro 994 thousand set aside by way of adjusting the 40% stake acquired in Z Cube S.r.l. - put in place after the consolidated balance sheet date - to the value attributed to the quota already held by the Group as at December 31, 2007.

Also recognized are reserves for risks approximating Euro 4,900 thousand provided to cover risks arising from or relating to Group foreign operations.

Risks arising from or relating to investments held are determined by the fact that the company invests in entities that develop state-of-the-art innovative technologies in the pharmaceutical and medical sector, i.e. in entities under "start-up"; in consequence, the investments reflect a high-risk factor.





RESERVE FOR EMPLOYEE TERMINATION INDEMNITIES

	F/Y 2007	F/Y 2006
Reserve for employee termination indemnities	12,882	14,422
Total	12,882	14,422

As at December 31, 2007, the reserve for employee termination indemnities represents the full liability due to employees in service at in the differing consolidated companies.

The reserve for employee termination indemnities is accrued in compliance with the post-employment laws and regulations currently prevailing in the differing countries from which the Group operates.

Looking more particularly at the companies incorporated and organized under the laws of Italy, the reserve for employee termination indemnities is determined in application of Article 2120 of the Italian Civil Code, taking into account the pension reform laws enacted in the course of fiscal 2007.

BANKS

As at December 31, 2007 and 2006, bank liabilities are as follows:

	F/Y 2007	F/Y 2006
Accounts in Euro/'000		
Amounts falling due to banks within 12 months:		
Due to banks	0	1,396
Current portion of medium to long-term financing:		
IMI financing	1,100	1,041
Ministero Ciencia y Tecnologia financing	115	312
Total Current portion of medium to long-term financing	1,215	1,353
Total Short-term financing repayable	1,215	2,749
Medium to long-term financing repayable after 12 months:		
SAN PAOLO - IMI financing	0	1,100
Ministero Ciencia y Tecnologia financing	419	533
Total Medium to long-term financing repayable		
Total Amounts due to Banks	1,634	4,382

As at December 31, 2007, the Group has credit lines for an amount totaling Euro 155 million, which may be used in the form of bank overdrafts or commercial advances.

Pushing through the movement on financing and loans repayable to banks and public lending institutions were amortization schedules; these relate to relate to financing provided to Zambon S.p.A. and Zambon S.A. Spain, and, more specifically:



Applied Research Fund San Paolo / IMI financing in the amount of Euro 5,781 thousand provided on a one-shot basis in December 1998. The financing amortization schedule is spread over ten years and carries interest at a fixed rate of 0.86% over the term of the loan, with principal repayable as from year 2003; the short-term portion thereof, represented by principal installments falling due, amounts to Euro 1, 041 thousand; and



Financing in the amount of Euro 534 thousand, of which Euro 115 thousand falling due within twelve months, provided to Zambon S.A. (Spain) by the Spanish Ministry for Science and Technology and by Desarrollo Technological Center for Investments. The financings, which benefit from government subsidies, carry interest at 0 (nil) interest rate for a period of 5 years and 10 years, with capital repayments starting from 2005.

As at December 31, 2007, there are no bank liabilities falling due after five years.

OTHER FINANCERS

	F/Y 2007	F/Y 2006
Accounts payable to other financers within 12 months	2,044	1,990
Accounts payable to other financers after 12 months	12,249	14,293
Total	14,293	16,283

Accounts payable to other financers, amounting to Euro 14 million 293 thousand, relate to lease installments falling due in respect of the sale and leaseback transaction entered into by Zambon Immobiliare with Locat (Unicredit Group).

ADVANCES

	F/Y 2007	F/Y 2006
Advances	3,389	4,733
Total	3,389	4,733

Encompassed within the balance on this account, Euro 3,389 thousand, is the amount of Euro 3,000 thousand associated with compensation awarded part way 2005, on a provisional basis, in relation to the legal action taken against the Cabinet Council and the Interdepartmental Committee for Economic Planning ("CIPE"): insofar as involving a sum awarded within the framework of litigation in respect of which ultimate judgment has yet to be rendered, such amount has been recognized, as in prior periods, on a provisional basis.





SUPPLIERS

	F/Y 2007	F/Y 2006
Supplier payables	87,556	71,206
Total	87,556	71,206

As at December 31, 2007 and 2006, supplier payables are analyzed below by geographic region:

Accounts in Euro/'000

	F/Y 2007	F/Y 2006
Europe	81,951	65,219
America	3,347	1,216
Pacific Asia and other	2,258	4,771
Total	87,556	71,206

Primarily pushing through the year-on-year uplift were enhanced business volumes and turnover growth in the year under review.

Currency	Nation	Amount	Euro equivalent
US\$	United States of America	3,133	2,131
CHF	Switzerland	364	221
JPY	Japan	30,649	187
GBP	United Kingdom	10	14
HUF	Hungary	1,000	4

There are no supplier payables falling due beyond five years.

PARENT COMPANIES

	F/Y 2007	F/Y 2006
Due to parent companies	13,229	4,219
Total	13,229	4,219

As at December 31, 2007, payables to parent companies in the amount of Euro 13,229 thousand relate primarily to accounts payable in respect of the consolidated tax return to which the Italian companies have adhered formally.

Driving through the year-on-year increase was the significant tax charge taking shape as a result of the results delivered by the company in the year under review.

There are no accounts payable to parent companies falling due beyond five years.

TAXES

As at December 31, 2007 and 2006, taxes payable are as follows:

Accounts in Euro/'000

	F/Y 2007	F/Y 2006
Current income tax payable	18,710	15,361
Withholding tax payable	7,230	3,877
VAT and other tax payable	710	573
Total	26,650	19,811

There are no taxes payable falling due beyond five years.

PROVIDENT AND SOCIAL SECURITY INSTITUTIONS

	F/Y 2007	F/Y 2006
Due to provident and social security institutions	6,626	4,842
Total	6,626	4,842

Amounting to Euro 6,626 thousand and Euro 4,842 thousand as at December 31, 2007 and 2006, respectively, are accounts payable to provident and social security institutions relating to social contributions payable by the company and the employees to provident and social security institutions.

OTHER PAYABLES

As at December 31, 2007 and 2006, the balance on this line is as follows:

Accounts in Euro/'000

Amounts falling due within 12 months	F/Y 2007	F/Y 2006
Employees for salaries and wages	18,394	15,608
Due to ministries and government agencies by way of medicine tax	1,626	1,128
Other minor items	2,090	2,080
Total	22,110	18,816

Amounts due to employees include principally salaries and wages, employee vacation accrued as yet not taken and other consideration payable to employees.

Euro 254 thousand relate to the amount payable to AIFA in relation to the contribution pursuant to Article 48 of Law 326/2003 in respect of calendar 2007.

There are no other payables falling due beyond five years.



ACCRUED EXPENSES AND DEFERRED INCOME

As at December 31, 2007 and 2006, this grouping is analyzed below:

Accounts in Euro/'000

	F/Y 2007	F/Y 2006
Accrued expenses on R&D and services contracts	505	1,067
Insurance	131	170
Interest	124	1,084
Deferred income	10,520	12,608
Other minor items	638	227
Total	11,918	14,608

The balance on this account mainly relates to deferred income in the amount of Euro 10,153 thousand, associated with the deferred capital gain arising on the leaseback of the Bresso property unit and the relative portion pertaining thereof pertaining to successive years, as deferred on a basis consistent with the finance lease term.

GUARANTEES GIVEN AND RECEIVED

As at December 31, 2007 and 2006, guarantees given by Group companies in favor of, or received from, third parties are as follows:

	F/Y 2007	F/Y 2006
Guarantees given and commitments	18,879	63,732
Bank guarantees received	0	302
Other memorandum accounts	1,290	0
Total	20,169	64,084

The memorandum accounts relate primarily to the following:

- 
 bank guarantees equating some Euro 126 thousand provided to customer public agencies by way of securing the proper execution of Zambon Italia S.r.l. supplies;
- 
 commitments undertaken by Zambon Italia S.r.l. in respect of contracting a 12-year exclusive know-how and patent agreement, focused around the marketing and sale of a medicinal specialty across the homeland as from the year immediately ahead;
- 
 guarantees equating some Euro 2,119 thousand provided to the Vicenza District; and
- 
 guarantees equating Euro 117 thousand provided in favor of suppliers;



lease commitments falling due relate to lease rentals in the amount of Euro 15,645 payable in the foreseeable future to the leasing company LOCAT S.p.A. in respect of the site held under lease in Bresso, (Milan) at Via Lillo del Duca. Under International Accounting Standard IAS 17, the leased site is accounted for as a tangible fixed asset, with the relevant lease payments shown on the liability side of the consolidated balance sheet; and



guarantee securing Group VAT management in the amount of Euro 256 thousand.

Of note, in November 2007, the Group agreed to transfer without charge to the Bresso Municipality the land held within the municipality, as identified at the Land Registry under Sheet 10, Maps 259, 18, 164 and 228, and Note 13 to Maps 2, 120 and 121. Taken as a whole, the land occupies 46,580 square meters.

The land transfer forms part of a program known as the "Pole of Excellence" Program approved by the Bresso Municipality on July 16, 2007 and authorized by Municipal Resolution No. 38 in respect of which a Group company has passed resolution agreeing adherence thereto. This will culminate into areas of public interest, such as a cafeteria, a car park, residential areas, and games and sports areas, being created within the framework of a broader scheme focused around creating a Remotely Controlled Heating System Plant for Bresso Municipality public utilities, and to which a Group company will partake. All of which will unfold into a Heat and Energy Combined-Cycle System Plant, in respect of which the Bresso Municipality shall revert in the relative realization thereof to the "Pole of Excellence" corporations and organizations.

As scheduled to be financed by the partners in the amount of Euro 290 thousand each with the remainder financed by bank borrowings, the cost envisaged to build the system plant, which will be created by Bresso Energia, approximates Euro 3,050 thousand.

A Group company also has the option to acquire from one other partner a 50% stake in Bresso Energia. The option may be exercised once 15 years have elapsed from inception of the energy supply contract.

In addition thereto, a Group company has undertaken the obligation to transfer to the Bresso Municipality a 5% investment in S.Te. No. m S.r.l. at a pre-set purchase price consideration equal to the nominal value of the quotas transferred. In the context thereof, the other partners have undertaken the obligation relating to the recognition of a purchase option to the Bresso Municipality.

Looking at the investment in S.Te. No. m S.r.l., in order to assure that its partaking percentage remains unchanged, a Group company has undertaken, as if any reminder were needed, the obligation to subscribe to any share capital increase, not in excess of Euro 1,000 thousand, that might be executed formally.

And lastly, mention is made to the commitment undertaken on December 17, 2007 by which the Group entered into an agreement focused around the disposal of the investment held in Futura Invest S.p.A. The agreement provides for the right of Zambon Company S.p.A. to repurchase the stake held by Futura Invest S.p.A. in Z Cube S.r.l., as put in place in April 2008. At the same time, Futura Invest S.p.A. has an option to purchase its shares held by Zambon Company S.p.A. (equating some 2.02% of capital) amounting to Euro 1,936 thousand.



CONSOLIDATED INCOME STATEMENT

REVENUES FROM SALES AND SERVICES

Revenues from the sale of goods and the provision of services to unrelated parties by key Group companies are analyzed below:

Accounts in Euro/'000

	F/Y 2007	F/Y 2006
Italian subsidiaries:		
Homeland	129,955	119,465
Export:		
U.E.	40,254	21,637
Rest of the world	32,169	31,519
Total Sales to unrelated parties by Italian subsidiaries	202,378	172,621
Countries:		
Switzerland	46,263	57,513
Belgium	25,045	23,268
The Netherlands	16,453	14,440
France	76,440	64,619
Spain	103,192	97,598
Portugal	7,252	6,507
Brazil	30,908	26,297
Colombia	6,672	5,685
China	6,854	6,743
Other	6,131	11,493
Total Sales to unrelated parties, Gross	325,210	314,163
Total Sales to unrelated parties	527,588	486,784
Tax on sales revenue, discounts and returns, and services rendered	(17,737)	(17,337)
Net revenues	509,851	469,447

Also set forth below is the breakdown of net revenues by geographic region:

	F/Y 2007	F/Y 2006
Europe	411,927	383,576
America	71,761	62,053
Pacific Asia	26,163	23,818
Total	509,851	469,447



OTHER REVENUES AND INCOME

As at December 31, 2007 and 2006, the balance on this account is composed primarily of the following:

Accounts in Euro/'000

	F/Y 2007	F/Y 2006
Recovery of costs and services provided	1,194	2,667
Contributions toward production line investment	1,320	1,389
Rental income	2,614	2,514
Patent and license disposals	2,027	500
Topgen disposal	1,042	0
Gain on fixed asset disposals	2,149	3,354
A.P.R. settlement	2,904	0
AIC (Zambon Italia S.r.l.) provision taken to income	0	989
Other minor items	2,853	2,051
Total	16,103	13,464

Examined and discussed below are the more significant items encompassed within this account:

RENTAL INCOME

This mainly relates to rental income received by Zambon Immobiliare S.p.A. from unrelated parties in respect of the property units leased in Bresso (Milan).

A.P.R. SETTLEMENT

As reached in December 2007, the settlement results from the litigation settled in respect of a pharmaceutical license agreement terminated with Applied Pharma Research S.A. (APR) in Berne (Switzerland).

The settlement provides for reimbursement in full to the Group company involved of the sums paid to the counterpart and recognition in part of the greater costs incurred.

As anticipated on a two-shot basis in the amount of Euro 2,204 thousand and Euro 700 thousand, respectively, the first reimbursement installment was collected regularly in January 2008. The second reimbursement installment, with maturity date part way December 2008, is secured by a bank promissory note.





PRODUCTION COSTS

RAW MATERIALS AND CONSUMABLES PURCHASED

	F/Y 2007	F/Y 2006
Raw materials and consumables purchased	131,207	130,315
Total	131,207	130,315

The amounts reported are shown net of discounts, premiums and rebates received from suppliers, as detailed in the following table:

Accounts in Euro/'000

Raw materials and consumables linked to production	F/Y 2007
Purchased from third parties:	
Finished goods	37,242
Semi-finished goods	10,756
Raw materials and consumables	53,215
Fancy packing material	20,611
Spare parts	6,801
Other	2,582
Total	131,207

SERVICE COSTS

	F/Y 2007	F/Y 2006
Service costs	105,370	102,402
Total	105,370	102,402

Service costs are analyzed as follows:

Accounts in Euro/'000

Service costs	F/Y 2007	F/Y 2006
Travel and transfer	6,601	6,548
Events and meeting organization	8,188	8,138
Staff recruiting and training	1,849	1,674
Telephone	1,935	1,956
Notary and legal consultancy	1,548	2,025
Insurance	2,060	3,558
Cleaning	2,164	2,061
Maintenance	6,564	6,627
Company canteen	872	807

Service costs	F/Y 2007	F/Y 2006
Postage and deliveries	1,339	1,499
Market research	5,155	4,661
Freight	6,808	6,366
Industrial waste disposal	3,492	1,718
Utilities	9,181	8,592
Advertising	6,406	7,532
Security	978	1,024
Trademark filing	2,083	2,242
Commissions reimbursed	6,514	5,893
Productions from third parties	4,300	3,402
Other service costs	27,333	26,079
Total	105,370	102,402

The balance on this account at year-end 2007 is substantially in line with the prior year.

EXPENSES RELATING TO THE USE OF THIRD PARTY ASSETS

	F/Y 2007	F/Y 2006
Expenses relating to the use of third party assets	8,650	10,084
Total	8,650	10,084

Expenses relating to the use of third party assets are analyzed as follows:

Accounts in Euro/'000

Expenses relating to the use of third party assets	F/Y 2007	F/Y 2006
Car lease rentals	5,818	7,119
IT and computer-system equipment lease rentals	1,472	1,485
Office lease rentals	1,360	1,480
Total	8,650	10,084

The balance on this account at year-end 2007 is substantially in line with the prior year.

PERSONNEL EXPENSES

	F/Y 2007	F/Y 2006
Personnel expenses	119,421	119,374
Total	119,421	119,374

Encompassed within *Personnel expenses* are all direct costs and related charges envisaged by the labor laws and regulations currently prevailing in the countries from the consolidated companies operate.



As analyzed below, the balance on this account at year-end 2007 is in line with the prior year:

Accounts in Euro/'000

	F/Y 2007	F/Y 2006
Salaries and wages	85,876	87,765
Provident and social security contributions	24,120	2,659
Employee termination indemnities	2,728	2,659
Other personnel expenses	6,697	5,529
Total	119,421	119,374

DEPRECIATION AND WRITE-DOWNS

	F/Y 2007	F/Y 2006
Amortization of intangible fixed assets	5,002	13,073
Depreciation of tangible fixed assets	20,419	20,695
Write-down of intangible and tangible fixed assets	100	2,186
Write-down of receivables classified under current assets	925	3,671
Total	26,446	39,625

CHANGE IN RAW MATERIALS, CONSUMABLES AND GOODS IN INVENTORY

	F/Y 2007	F/Y 2006
Change in inventory	(2,845)	(3,504)
Total	(2,845)	(3,504)

PROVISIONS FOR RISKS

	F/Y 2007	F/Y 2006
Provisions for risks	2,771	1,852
Total	2,771	1,852

The balance on this account relates, in the amount of Euro 550 thousand, to the provision reserved to cover product withdrawal/replacement resulting from AIFA resolutions and, in the amount of Euro 45 thousand, to the provision for agents' indemnity risk and, in the amount of Euro 1,026 thousand, to the provision for the write-down of receivables.

The remainder, equating Euro 1,150 thousand, relates to the amount provided to cover risks arising from or relating to the foreign operations of the Group.



OTHER PROVISIONS

	F/Y 2007	F/Y 2006
Other provisions	2,335	0
Total	2,335	0

The balance on this account relates primarily to the provision reserved to cover risks arising from or relating to the activities currently being developed in innovative sectors by a Group company.

OTHER OPERATING EXPENSES

	F/Y 2007	F/Y 2006
Other operating expenses	29,399	20,960
Total	29,399	20,960

The year-end balance on this account is analyzed as follows:

Accounts in Euro/'000

	F/Y 2007	F/Y 2006
Promotional expenses	15,436	10,467
Taxes and duties (other than income taxes)	6,937	4,033
Membership fees	1,096	1,172
Other taxes	650	470
Other	5,280	4,818
Total	29,399	20,960

INCOME FROM INVESTMENTS

Income from investments is analyzed as follows:

Accounts in Euro/'000

	F/Y 2007	F/Y 2006
Income from investments	600	500
Total	600	500

The balance relates to dividends received from the investee DOC GENERICI S.p.A. recognized as and when received.





OTHER FINANCIAL INCOME

Other financial income is analyzed as follows:

Accounts in Euro/'000

	F/Y 2007	F/Y 2006
Interest income-banks	5,213	2,214
Total	5,213	2,214

Interest income relates primarily to interest income accrued on bank deposits.

INTEREST AND OTHER FINANCIAL CHARGES

The detail of interest expense and other financial charges incurred in 2007 and 2006 is the following:

Accounts in Euro/'000

	Dic 2007	Dic 2006
Interest expense-banks	761	1,099
Other financial charges	1,047	901
Total	1,808	2,000

Interest expense relates primarily to interest expense accrued on bank deposits.

FOREIGN EXCHANGE GAINS/(LOSSES)

As at December 31, 2007 and 2006, the balance on this account is composed primarily of the following:

Accounts in Euro/'000

	Dic 2007	Dic 2006
Utili su cambi	10.434	6.120
Perdite su cambi	(8.275)	(4.141)
Totale	2.159	1.979

EXTRAORDINARY INCOME AND EXPENSES

There are no items of extraordinary income or extraordinary expenses.

INCOME TAXES

Current income taxes provided in the consolidated income statement for the years ended December 31, 2007 and 2006 amount to Euro 35,751 thousand and Euro 23,424 thousand, respectively. Non-current and deferred taxation credited and debited to the consolidated income statement for the years ended December 31, 2007 and 2006 amount to Euro 424 thousand and Euro 703 thousand, respectively.

As at December 31, 2007, also encompassed within the balance on current income taxes is the Regional Tax on Manufacturing Activities ("IRAP") levied on the Italian companies in the amount of Euro 4,171 thousand (December 31, 2006: Euro 3,517 thousand).

The income taxes of the foreign and Italian companies are accrued on the basis of enacted tax rates. Net deferred taxes (representing the difference between deferred tax assets and deferred tax liabilities) are determined taking into account temporary differences between the carrying amount of an asset or liability in the statutory balance sheet and its tax base. In addition, deferred tax assets are recognized if, and only if, it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Set forth below is reconciliation of the income tax rate currently prevailing in Italy to the effective income tax rate for the consolidation:

	%	
	F/Y 2007	F/Y 2006
Income tax rate	33.0	33.0
Regional tax ("Irap") rate	3.8	5.6
Tax consolidating payments by GEFIM, the tax consolidating entity	(1.1)	(0.9)
Subsidiary consolidation, net deferred tax effect and other changes	(2.7)	0.6
Income tax rate on income before income taxes	33.0	38.3

OTHER INFORMATION

Emoluments to parent company, directors and statutory auditors in financial year 2007 for duties performed also in other undertakings included in the scope of consolidation amount to Euro 779 thousand and Euro 93 thousand, respectively.

Zambon Company S.p.A. has closed with the Tax Administration its fiscal years up to December 31, 2001. The subsidiary undertakings have closed, pursuant to the applicable laws and regulations prevailing in the respective countries from which they operate, their fiscal years covering the periods ranging from 1998 to 2002.

SIGNIFICANT POST-BALANCE SHEET EVENTS

No significant events occurred between the consolidated balance sheet date and the date on which these consolidated financial statements were authorized for issue.

Bresso (Milan), May 28, 2008

By Order of the Board of Directors

Margherita Zambon

Chairman Zambon Company



CONSOLIDATED CASH FLOW FOR THE YEAR ENDED DECEMBER 31

Accounts in Euro/'000

	2007	2006
SECURITIES, CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	79,168	51,367
CASH FLOW FROM OPERATIONS		
Net income for the year before minority interest	73,385	38,925
Depreciation and amortization	25,421	33,768
Deferred capital gain arising from leaseback transaction	(1,766)	(1,766)
Increase (decrease), Net, in reserves for risks and deferred taxation	2,015	5,949
Increase (decrease) in reserve for employee termination indemnities and severance	307	312
Gain arising on equity investment disposals	0	(5,092)
	99,362	72,096
Decrease (increase) in current receivables	(9,002)	(6,897)
Decrease (increase) in inventory	136	(1,082)
Increase (decrease) in other working capital items, net	23,460	(8,372)
	14,594	(16,351)
Net cash flow from operations	113,956	55,745
CASH FLOW FROM INVESTING ACTIVITIES		
Investments toward tangible fixed assets	(6,759)	(11,288)
Investments toward intangible fixed assets	(2,540)	(2,355)
Securities		
Equity investments	(3,427)	(1,055)
Gain arising on equity investment disposals	0	5,092
Other	(137)	(131)
Tangible/Intangible fixed asset disposals	2,521	2,968
Investments toward financial fixed assets	(288)	(3)
Net cash flow used in investing activities	(10,630)	(6,772)
Leaseback financing		
Repayment for the year	(1,990)	(1,935)
IMPACT OF LEASEBACK ARRANGEMENTS	(1,990)	(1,935)
DIVIDEND PAYOUTS	(21,020)	(6,971)
Investment in marketable securities	13,614	(7,617)
New financing and change in bank exposure	(1,215)	(1,354)
Current lease installments falling due		
Non-current lease installments falling due		
Cash flow, Net, generated from (used in) financing activities	(8,621)	(15,942)
CHANGE IN CUMULATIVE TRANSLATION ADJUSTMENT RESERVE	(3,340)	(3,295)
CHANGE IN SCOPE OF CONSOLIDATION	(43,076)	0
NET INCREASE IN CASH AND CASH EQUIVALENTS	46,299	27,801
CASH AND OTHER AVAILABLE FUNDS AT END OF THE YEAR	125,467	79,168



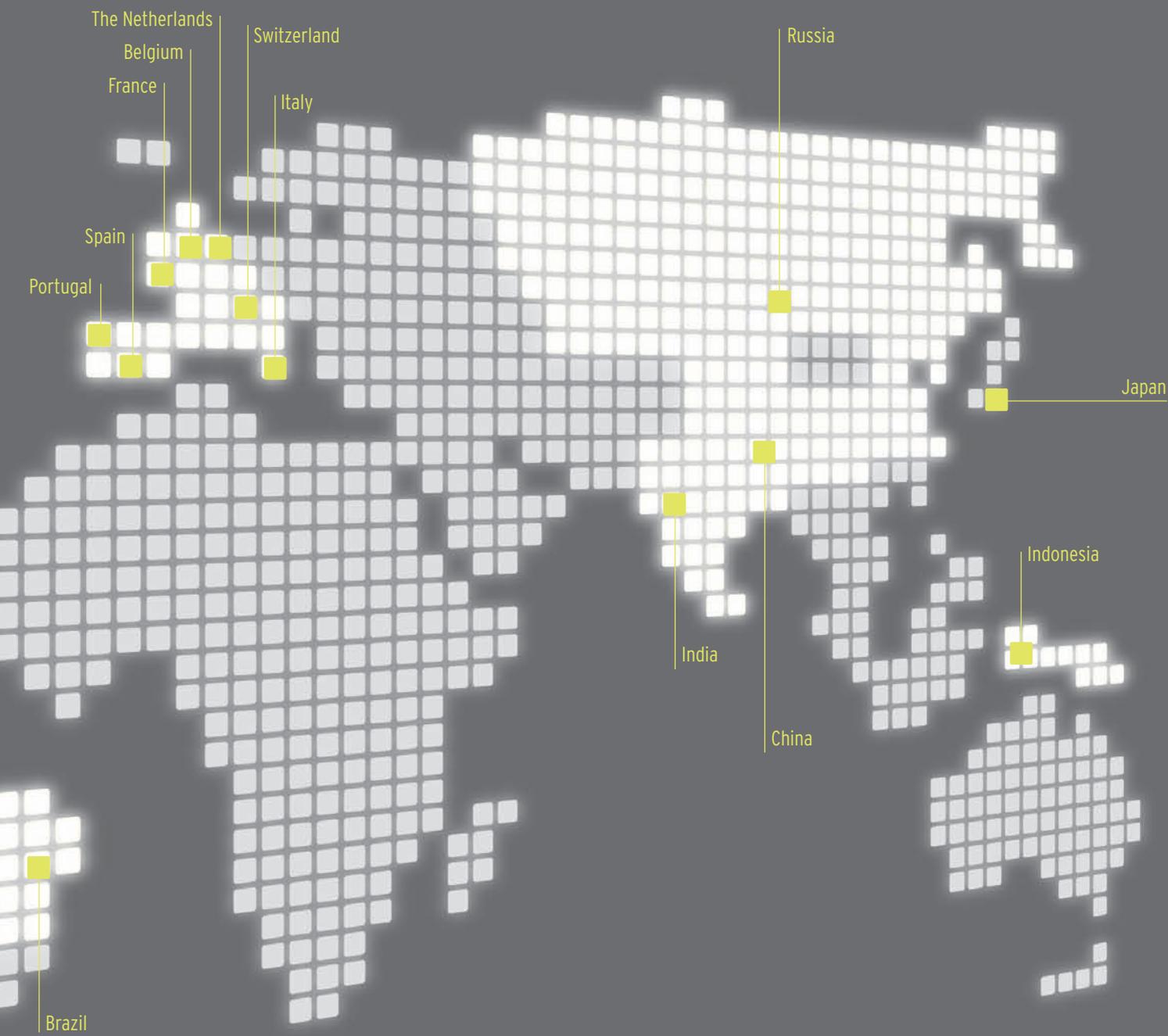
ZAMBON COMPANY S.p.A. AND ITS SUBSIDIARIES

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31 2007

Company	Registered office	Cur-rency	Share capital	% ownership
Holding company				
Zambon Company S.p.A.	Bresso	EURO	16,623,000	-
Italian subsidiaries				
Zambon Group S.p.A.	Bresso	EURO	288,960	100%
Za.Ch. System S.p.A.	Bresso	EURO	13,039,000	100%
Zambon S.p.A.	Bresso	EURO	5,549,880	100%
Dolphin S.r.l.	Milan	EURO	10,000	100%
Zambon Italia S.r.l.	Bresso	EURO	104,000	100%
Z- cube S.r.l.	Bresso	EURO	300,000	100%
Zambon Immobiliare S.p.A.	Bresso	EURO	12,502,160	100%
Foreign subsidiaries				
Zambon B.V.	Amersfoort (Netherlands)	EURO	13,050,000	100%
Zambon Switzerland Ltd.	Cadempino (Switzerland)	SFr	22,500,000	100%
Inpharzam Ricerche S.A.	Cadempino (Switzerland)	SFr	3,500,000	100%
Zambon S.A.	Brussels (Belgium)	EURO	1,000,000	100%
Zambon Nederland B.V.	Amersfoort (Netherlands)	EURO	907,560	100%
Zambon Germany GmbH	Kerpen (Germany)	EURO	2,557,000	100%
Zambon France S.A.	Issy Le Moulineux (France)	EURO	4,590,000	100%
PiraZaCh S.A.	Cadempino (Switzerland)	SFr	800,000	100%
Zambon Laboratorios Farmaceuticos S.A.	San Paolo (Brazil)	REAL	10,488,000	100%
Zambon Colombia	Santa Fè de Bogotà (Colombia)	SCol.	1,182,605,000	100%
Zambon S.A.	Santa Perpetua de Mogoda (Spain)	EURO	3,606,000	100%
Zambon Corporation	Laporte (U.S.A.)	US\$	600,000	100%
Zambon P.F. Lda.	Lisbon (Portugal)	EURO	78,000	100%
ZamFarma	Lisbon (Portugal)	EURO	50,000	100%
Zambon (India) PVT LTD	New Delhi (India)	Rs	2,309,000	100%
Pt Zambon Indonesia	Jakarta (Indonesia)	IDR	1,109,625,000	100%
P&C Reinsurance (Ireland) LTD	Dublin (Ireland)	EURO	650,000	100%
Zafin SA	Luxembourg	EURO	491,597	100%
Siphar S.A.	Lugano (Switzerland)	SFr	650,000	100%
Pharmazam S.A.	Santa Perpetua de Mogoda (Spain)	EURO	210,350	100%
Zambon Advance Luxembourg S.A.	Luxembourg	US\$	40,000	90%
Hainan Willine Pharmaceutical Ltd	Haikou- PRC (China)	RMB	7,000,000	100%
Imphos B.V.	Amersfoort (Netherlands)	EURO	136,000	100%
Zambon Pharma Ltd.	Moscow (Russia)	US\$	150,000	100%
ZaCh France	Avrillé (France)	Euro	7,930,000	100%







Zambon

GROUP LOCATIONS

Worldwide

AND CONTACT INFORMATION AT A GLANCE.

Italia

Zambon Company SpA

Via Lillo del Duca, 10
20091 Bresso (Milan), Italy
Phone +39 02 665241
Fax +39 02 66501492

Zambon SpA

Via Lillo del Duca, 10
20091 Bresso (Milan)
Phone +39 02 665241
Fax +39 02 66501492

Z-Cube S.r.l.

Via Lillo del Duca, 10
20091 Bresso (Milan),
Phone +39 02 665241
Fax +39 02 66501492

Zambon Italia S.r.l.

Via Lillo del Duca, 10
20091 Bresso (Milan)
Phone +39 02 665241
Fax +39 02 66501492

Zach System SpA

(Centro Direzionale)
Via Lillo del Duca, 10
20091 Bresso (Milan), Italy
Phone +39 02 665241
Fax +39 02 66501492

Chemical Plant

Via Dovaro
36045 Almisano di Lonigo
(Vicenza)
Phone +39 0444 433111
Fax +39 0444 831192

Pharmaceutical Plant

Via della Chimica, 9
36100 Vicenza
Phone +39 0444 968911
Fax +39 0444 348049

Switzerland

Zambon Switzerland Ltd.

Via Industria 13
CH-6814 Cadempino
Phone +41 91 9604111
Fax +41 91 9664351

France

Zambon France S.A.

13, Rue René Jacques
92138 Issy Les Moulineaux Cedex
Phone +33 1 58044141
Fax +33 1 58044100

Zach System S.A.

Production & R&D site;
Commercial Offices
Z.I. La Croix Cadeau B.P.10079
49240 Avrille Cedex
Phone: +33 241 96 61 61
Fax: +33 241 42 76 55

Belgium

Zambon S.A./N.V.

Av. E. Demunterlaan 1/9
1090 Brussels
Phone +32 2 7770200
Fax +32 2 7718570

The Netherlands Zambon

Nederland B.V.

Basicweg 14b
3821 BR Amersfoort
Phone +31 33 4504370
Fax +31 33 4561233

Spain

Zambon S.A.

Maresme 5, P.I. Can Bernades
Subirà (ex Urvasa)
08130 Sta. Perpetua de Mogoda
(Barcelona)
Phone +34 93 5446400
Fax +34 93 574 04 36

Pharmazam S.A.

Maresme 5, P.I. Can Bernades
Subirà (ex Urvasa) - 08130 Sta.
Perpetua de Mogoda (Barcelona)
Phone +34 93 5446440
Fax +34 93 5605615





Portugal

Zambon-Produt. Farmacêuticos Lda.

Rua Comandante Enrique Maya, I
1500-192 Lisboa
Phone +351 21 7600952 /54
Fax +351 21 7600975

Russia

Zambon S.p.A. Representative

Office - Zambon Pharma Ltd.

Glazovsky per., building 7, office 17
119002 Moscow
Phone +74 95 9333830 / 32
Fax +74 95 9333831

Brazil

Zambon Laboratórios Farmacêuticos Ltda.

Rua Descampado, 63 (Vila Vera)
04296-090 São Paulo
Phone +55 11 69489300
Fax +55 11 69461073

Colombia

Zambon Colombia S.A.

Calle 124 No. 35-15
Stories 3rd and 4th
Autopista Norte - Paralela Occ.
Santa Fe de Bogotá
Phone +57 1 6198558-47-69
Fax +57 1 6198669

China

Hainan Zambon Pharmaceutical Co., Ltd.

Haikou National
Hi-tech Industrial Development
Zone
Haikou, 570314 Hainan
Phone +86 898 6863 1288
Fax +86 898 6863 6121

India

Zambon Pvt. Ltd.

Main Mehrauli
Gurgaon Road
Suite No. 301, 3rd Floor, JMD
Regent Square
Gurgaon
122001 (Haryana) India
Phone +91 1242804021/2/3
Fax +91 1242804024

Indonesia

P.T. Zambon Indonesia

Graha Fatmawati
Jalan R.S.Fatmawati
Raja Blok A N.1C
Jakarta Selatan (Indonesia)
Phone + 62 21 75903953
Fax +62 21 75903430

U.S.A.

ZaCh System Corporation

Production & R&D site;
914 S. 16th Street
La Porte, Texas 7757
Phone: +1 281 842 0200
Fax: +1 281 867 4965

Commercial offices
515 Pleasant Valley Road
Trafford, PA 15085
Phone: + 1 724 744 2079
Fax: +1 724 744 2853

Japan

ZaCh System S.p.A

Japan Representative Office
Bancho Heim 428, Nibancho 1-2
Chiyoda-ku, Tokyo 102 -0084
Phone: + 81 3 3262 1520
Fax: + 81 3 3262 1521

