



VALUE REPORT 100+4 2010

With you,
who follow not only the development of our activities with interest and enthusiasm but also our thoughts on the meaning of what we are doing,

we wish to reflect on the strength and concreteness of the letter M for Make or Making, that Making which is the truest expression and closest to the very nature of this enterprise made up of individual actions which weave into broader, more constructive and strategic designs.

Making is the basis of everything, the values, the principles and the strategies which otherwise, without concreteness of action, are merely empty words.

This Value Report is dedicated to those very people for whom making is a mission and a daily practice, it is meant to be an acknowledgement of what workers make: the quality of our enterprise depends on the quality of what our people are and how they operate because we believe that it is the distinctive *human* side that determines the quality of our making.

Thus we can become the “factory workers” of the world: everyday life must be full of values because our values are continually put to the test and transformed into action with the commitment of the “here and now”, because ideas are what change the world, but only those ideas that have a concrete and constructive relationship with the world. Our work philosophy aims at giving substance to the principles in which we believe because only that way it can take on body and concreteness: that is why the **quality** of our making is important to us. This is how the value of the Factory is revealed as a place of “richness”, especially human richness, where a community of people united in sharing a mission produces and puts its own flow of knowledge and skills into circulation.

Work in terms of value conveys a meaning to us which reaches beyond its immediate significance and helps us to create an “integral enterprise” which can last over time because it knows how to integrate values and business.

We have chosen Mother Teresa as our outstanding witness

for this year dedicated to the concept of Making because she is one of the clearest and most limpid symbols of what making and acting in the first person mean. The little nun of Calcutta is famous all over the world for her tireless activity in the service of the “poorest of the poor” and for her silent and caring work in their midst, succouring some of the most dramatic cases of solitude, abandonment and misery.

“Looking at the problem of poverty from an intellectual point of view simply means you are not understanding it (...) If you spend your time talking about the poor, you will rarely have the occasion or the time to talk to the poor (...) People are forgetting what a human relationship, a smile means...”

Mother Teresa of Calcutta

The lay world too was fascinated by her example and testimony of love which shone through her every little gesture; through her personal response to poverty, suffering and solitude it understood that the noblest part of our humanity resides in the giving and the asking nothing in return. There is, after all, a thin common thread connecting our earlier exceptional witnesses with Mother Teresa: both Gandhi and Martin Luther King through their actions and words were able to stir people’s souls in the causes of brotherhood and equality.

We believe that we need renowned figures to look up to whose works are recognised for what they have accomplished and evoke strong associations able to perform that delicate task of leading even in the making of an enterprise.

Mother Teresa reverses the modern way of conceiving action and this helps us to shift the criteria of a results-based way of thinking. When a journalist asked her “Mother, when you die, the world will be just the same as before. What has changed after all that effort?” Mother Teresa replied:

“I never thought I could change the world. I just tried to be a drop of clear water ...We are just a drop in the ocean, but I think the ocean would be less because of the missing drop.”

Mother Teresa of Calcutta

The real challenge to our enterprise making will be to succeed in **making sure that each of our collaborators**, whether he or she be a factory worker, an office worker, a researcher or a medical sales rep, returns to being **the “artisan” whose self is reflected in the work he or she does**. Acquiring experience does not mean merely performing a task but also understanding and feeling what one is doing. At the subjective level, it requires willingness to let oneself become involved and to understand others. But how is it possible to transform this sense of feeling part of the soul of the enterprise into a productive reality? Gaetano Zambon on the occasion of the fiftieth anniversary of the company already had the answer: *“You too must work together in a shared communion of intent and put enthusiasm and dedication into your daily work, but above all, passion which is the inspirational force in works and ideas. Try to keep that breath of inspiration blowing through the company which is itself the profound embodiment of spirit where, I believe, part of the key to each of our successes lies.”*

The continuous renewal of the enterprise therefore lies in the ability to help our collaborators become entrepreneurs of **projects implemented and made concrete in accordance with the moral principles that have inspired** them and that give them the sense of what they are accomplishing. Our heartfelt thanks go to all our collaborators of yesterday, today and tomorrow who have always worked to make this possible.

Un grazie per ciò che fate
Elm Zambon

Once again we find ourselves together along that “pathway of values”, container after container, and letter after letter looking back over the way of making an enterprise in Zambon. Two years ago we began our voyage by exploring the letter **Z**, the **Zambon** initial, and took a new look at and shared the value of a history spanning 104 years of enterprise. Last year we went into the letter **A**, and recognized the value of the contributions of our **Authors**, those people who have made and continue to make history in our company.

This year the Value Report 100+4 is dedicated to the reading of the letter **M** which introduces us to the concept of **Make** or Making, the value of what Making means, the concrete commitment in making Zambon values translate into actions and behaviours.

The practical mentality, the marks of experience, the physical effort in plant shift work, the codification of precise rules, the protective helmets, the lab coats....: they all take us back to our roots, to the value of the factory as a place where riches are created, both material and human, like a community of people united by their shared mission. Thus making reveals its transcendental meaning: not something closed within itself, but a chance to catch a glimpse of something of lasting value, something absolute.

We chose Mother Teresa as our witness of what “making” means for her silent and zealous work in the midst of solitude, abandonment and misery. Her concreteness, her practicality and her absorption in her actions makes Mother Teresa an enlightening example for us to follow in our daily life, a symbol of love made concrete, able to make every gesture and even the smallest of actions splendid testimony of what it means – as Mother Teresa herself said – to be at the service of others twentyfour hours a day.

“The important thing is the gift of ourselves, the amount of love that we put into each of the things we do. We cannot do great things on this earth, only small things with great love.”

Mother Teresa of Calcutta

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THE MAKING OF RESULTS

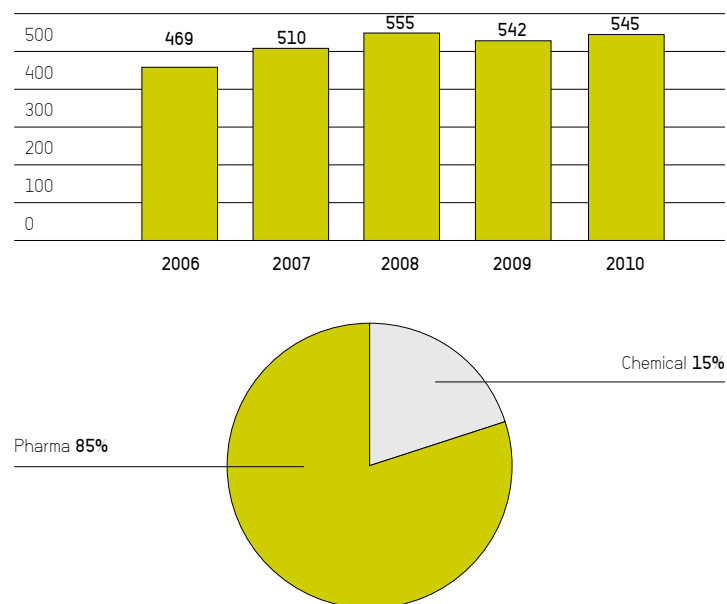
Overall 2010 has been a year of consolidation for the Group with a turnover of € 545 million, a slight growth over 2009. The gross operating margin was € 92 million and operating profitability was € 62 million with a net result which rose by about 15% due also to the fact that we no longer had to contend with the extraordinary negative factors which had penalised the year 2009. In terms of assets and finance we recorded a further strengthening with net assets that reached € 367 million and a net financial position which grew to € 85 million despite the substantial investments made and a temporary increase in the net working capital. This summary outline reflects a complex situation considering the various businesses of the Group and their various problems and strategies. As regards the pharmaceutical division for **Zambon SpA**, turnover remained unvaried at € 464 million despite the progressive inroads made by generic products which determine a contraction in prices and, in some case, in volumes, and also a less marked pathological effect than that of the previous year which benefitted from the demands for flu products. The growth in sales of in-licence products and the positive performance of the markets outside Europe, mainly Brazil and Russia, made up for the differential. Research work intensified, moreover, in starting up development of new products and broadening the formulation of existing products. The combination of these factors partially reduced the € 75 million operating profitability. It is also to be noted that the pharmaceutical sector has instituted a multiyear investment plan with € 12 million already invested mainly for the purpose of increasing production capacity and introducing continuous improvements in production efficiency.

As regards the chemical sector in 2010, **Zach SpA**, Zambon Chemical Group, product sales reached the € 114 million, mark in line with the previous year even though with one less production plan; the EBIT even though with a loss of € 6 million, is strongly recovering in comparison with the previous year. The 2010 year sees the conclusion of the process of rationalisation of the production sites which led to the sale of the Laporte plant in Texas, USA. It is also to be noted that the substantial investments made in the Avrillé plant in France determined the removal of the production restrictions placed by the American Food and Drug Administration during 2009 which had impacted on the 2009 results. At the same time, the high production standards of the Lonigo plant highlighted in the past successfully passed all the regulatory audits with no remarks. In the research field,

work on custom synthesis and on the development of new molecules in the generic drugs sector continued with promising market prospects.

As far as **Zeta Cube**, the Group's research venture, is concerned, the strategies adopted have favoured greater integration with Zambon Pharma for the purpose of creating synergies in the development of new products which exploit innovative drug delivery instruments. Collaboration is now in full swing with both the Hebrew University of Jerusalem and the Mission Bay Capital fund which with the University of California has led to the underwriting of three new research projects. Under the development plans investment has been substantially completed in the new information system running on the SAP platform now implemented in the larger of the Group companies. Attention and sensitivity to matters concerning environmental and safety compliance remain high. For some time the Group has chosen to provide itself with proper resources for the monitoring and implementation of the related processes and to that end has taken important steps to ensure that high quality standards are preserved as a guarantee for all the stakeholders.

CHARACTERISTIC CONSOLIDATED TURNOVER 2010
EUR million



TURNOVER BY COMPANY 2010

Consolidated PHARMA	Consolidated CHEMICAL
Revenues 2010: 464 EUR million	Revenues 2010: 114 EUR million
EBITDA: 90 EUR million	EBITDA: 5 EUR million
EBIT: 75 EUR million	EBIT: (6) EUR million
Net working capital: 48 EUR million	Net working capital: 23 EUR million
Employees: 1936	Employees: 479

THE MAKING OF QUALITY IN ZAMBON



Photo of our plant in Cadempino, Switzerland

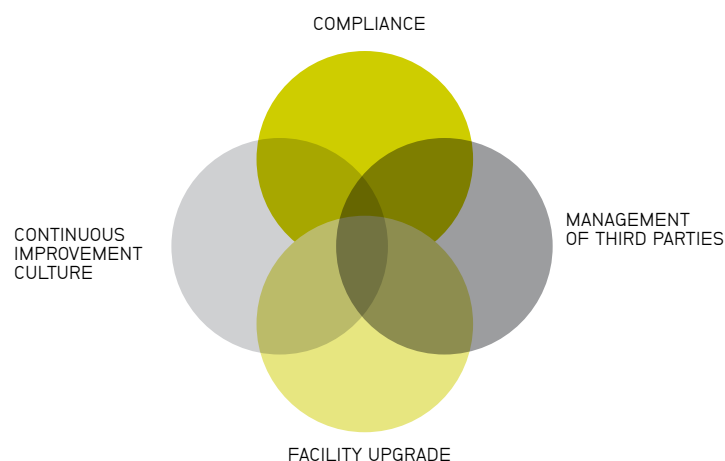


Photo of our Pharma plant in Hainan, China

Quality in the **Pharmaceutical** business

In developing the theme of “making”, the quality of our work is crucial, also because of the environment in which our company moves which concerns healthcare and wellbeing. The pharmaceutical environment is in fact highly regulated to guarantee the effectiveness and safety of our drugs; in going beyond simple adherence to the rules, in any case, the application of Quality is, in a broader sense, a definite help in our daily work. Quality is, in fact, one of the instruments we have at our disposal as both managers and collaborators which we can use within the organisation to keep our attention constantly focused on the needs of our internal and external clients. The application of quality also helps to develop a culture of prevention which adds value to our activities and improves organisational culture and teamwork. In 2010 we analysed these concepts in our production and sales structures and set a clear course for our future.

The areas where we concentrated most of our efforts were



In the area of **Compliance** a first new set of policies was drawn up to ensure increasingly sophisticated and uniform levels of adherence to our *Good Manufacturing Practices*.

This process has brought about a series of inspections to monitor our plants and processes and has fostered close cooperation between the centre and the operational plants and a very effective exchange of *best practices* among the sites, promoting and incentivising teamwork.

A new Quality Management System was also implemented to foster the **Culture of Continuous Improvement** promoting a cultural approach to the preventive management of problems for the purpose of prevent-

ing them from arising. The system implemented encourages the constant monitoring of our level of compliance and our qualitative performance by using indicators that can be easily measured. We constantly monitor the results of the regulatory audits of clients and our own internal ones, the robustness of our production processes, the numerousness of rejected lots, any deviations and out-of-specifications encountered during production and any complaints, all so that we can pinpoint in advance any sign of an anomaly.

The cycle then proceeds to define the areas which can benefit from continuous improvement in order to identify the corrective actions needed and test their effectiveness and then starts all over again with a new improvement cycle.

In order to ensure the constant **upgrading of its facilities**, the company has strongly committed to defining and making substantial investments. Through this process it is always prepared and ready to meet the growing demands for technological modernisation, for compliance with regulatory requirements and to ensure business continuity along our supply chain as well as increasing the efficiency of our processes.

Many projects have already been implemented at our sites and approved by the regulatory bodies concerned. Another important area is that of the **management of our Contract Manufacturers**. Zambon is aware of its great responsibility to ensure that also the activities taking place outside its own production plants in producing medicines, medical devices and materials are in line with its established quality and business standards. It was to improve the level of supervision that the new model of the *Virtual Plant* was adopted for the integrated management of these suppliers in close collaboration with our subsidiaries. Today we have in place a clear process for the selection and continuous monitoring of the performance of our major Contract Manufacturers.

The making of quality in **Zach**

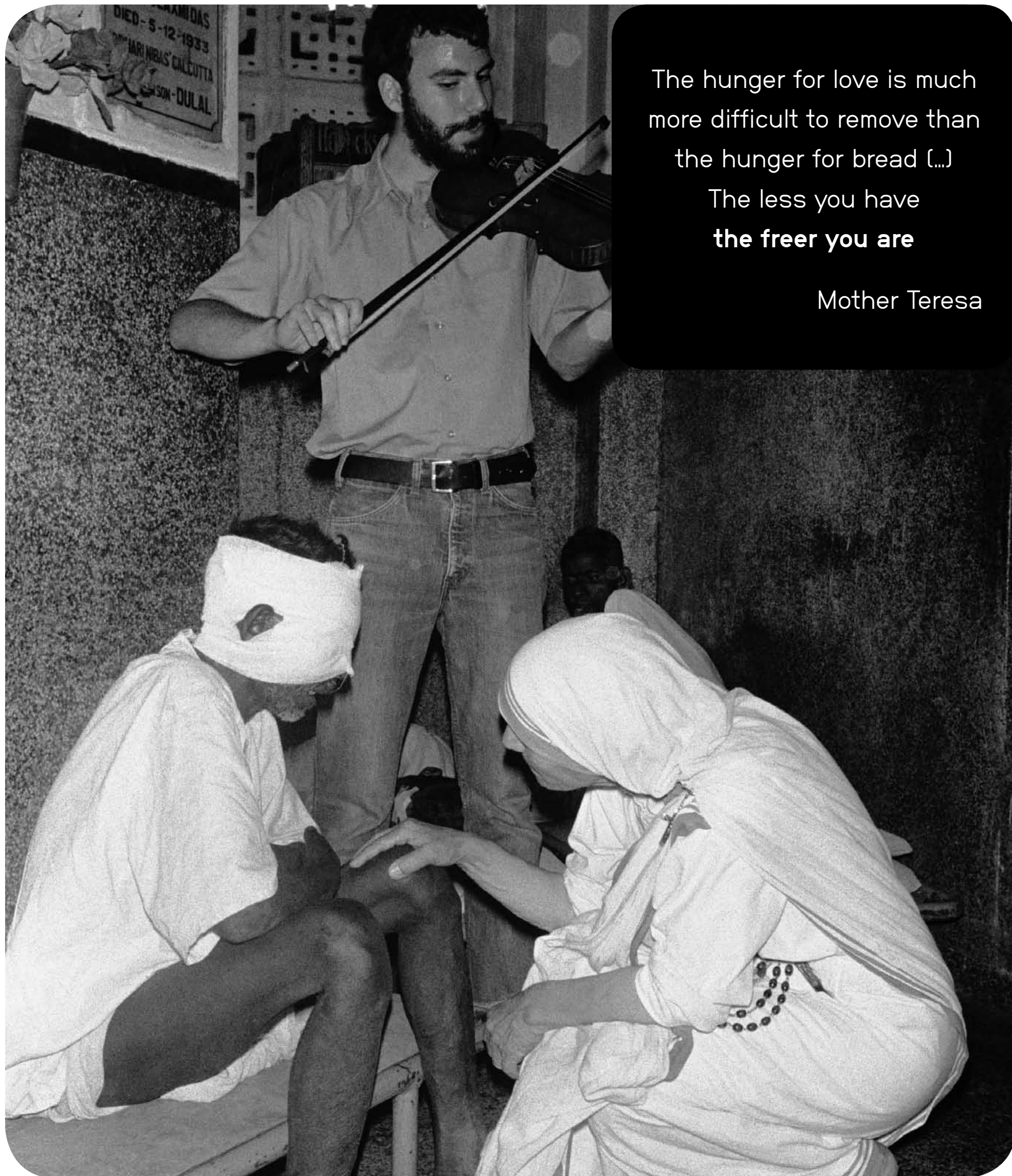
The making of Quality requires a combination of technology, science and technique in order to guarantee control and knowledge of the processes. It requires modern plants in compliance with the growing requirements of the regulatory authorities, plants that must be kept in a perfect state of maintenance. It requires much knowledge, ability and serious professional preparation at every level because anyone involved in the “Making” plays a key role in our ability to produce “Quality”. It requires intelligence and managerial farsightedness, investments in training and technology, but at the same time it also needs determined, competent and motivated people because the human factor not only counts but is what makes the real difference in a successful company which has been measuring itself

in the market for more than 100 years. Zach's history of Making Quality in 2010 is studded with many endeavours and just as many successes. The Lonigo (Vicenza) plant began the year by passing the American Food and Drug Administration (US FDA) inspection with flying colours and without remarks. This is the seventh time in a row that the FDA has approved the site without remarks, an obvious sign that the culture of Making Quality is well-rooted there. This culture is also acknowledged by our clients, prestigious international companies and brilliant start-ups which continue to rely on Zach to produce their new products and the more mature APIs. In the month of June our Lonigo site was approved by the PMDA (the Japanese Ministry of Health). Even though the plant has been supplying that market with generic products for years, this was an important result because it concerns an approval of a new product just being launched in that country. Meanwhile the Avrillé plant in France has been working hard to resolve the issues raised in the US FDA warning letter which arrived at the end of 2009. This effort involved both France and Italy with interchanges of professionals and skills, a team that worked together to achieve significant success involving interventions on systems and in procedures and a great deal of training.

These efforts concluded in September with the works report made to the US FDA and were rewarded in December when the FDA itself again inspected the plant and found that there nothing to warrant a remark. This success has already attracted client interest and attention to the Avrillé plant for the approval of new products which are now being registered in the USA.

2010 closed with yet another twinning of sites with the inspection of the KFDA (the Korean Food and Drug Administration) which first inspected and approved the Avrillé plant and then scheduled an inspection of the Lonigo site carried out in the first months of 2011: here again the twinning of the sites in the sharing of the experience gained in the Korean approach to the Good Manufacturing Processes was another important pillar of success.

These examples show us how the making of quality is a vocation that demands not only the technology of the third millennium, but also the care and the attention of the “artisans” of our traditions, a vocation that requires technologies and people, skills and dedication, and that must ultimately be rooted in our culture and our values in order to create a future.



The hunger for love is much
more difficult to remove than
the hunger for bread [...]

The less you have
the freer you are

Mother Teresa



THE PHARMACEUTICAL BUSINESS: ZAMBON SPA

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

The macroeconomic **scenario**

The closing of 2010 saw a 5% world growth in the GDP (source WMF) after a 0.5% drop in 2009; the mature economies demonstrated a 3% growth (a drop of 3.4% from the previous year) while the emerging economies saw their gross domestic product grow by 7.3% which was 2.7% lower than the previous year.

Despite the strong recovery of economic growth, the unemployment rate stayed above the levels of 2008, especially in the mature economies where the figure hit 8.3% with the Euro area actually settling at 10%. The year 2010 will be remembered for the bailout of the Irish banks and consequent debt problem of the Irish government, the Greek crisis and the beginning of Portugal's problems. Fortunately for the moment after ECB interventions led by Germany, the domino effect first on Spain and then on Italy seems to have been averted even though further interventions in the weaker countries will probably be necessary. Government actions did, however, have a positive impact on economic growth; in the United States, and unevenly in the various European countries, a net recovery of the main economic indicators was apparent in the very positive numbers coming especially from Germany. The economies in the emerging countries such as China and India showed continuing strong growth, and the central banks are increasingly on the alert to avoid "bubbles" and have consequently implemented restrictive monetary policies. In the first months of 2011 the ECB reversed its monetary policy whereas the FED is expected to raise interest rates starting only in 2012. The end of 2010 saw inflation appearing due to the increase in the cost of energy raw materials and the price of oil which topped USD 100 per barrel and the rise in the cost of farm row materials; the last phenomenon set off the sparks in the Middle East which have raised questions about the fragile balance in that area.

New equilibriums in a dynamic scenario

In the framework of this economic picture, the world pharmaceutical market reached € 620 billion in 2010 with a good growth of 4% in line with forecasts. The growth in terms of value was penalised compared to volume which rose by 5% due to continuous measures to contain costs which reduced the average global price of pharmaceuticals by one percentage point bringing it to € 6.6. The development of the sector was guided by the constantly increasing health demand expressed in different ways in the various geographic areas. In the mature countries growth was driven by the aging of the population, by chronic pathologies related to

it and by innovation, whereas in the emerging countries, greater access to therapies and epidemiological trends caused by new life styles were the drivers. The United States which represent about one third of the world pharmaceutical market with € 230 billion closed the year with a 3% growth rate generated by a price increase applied by the companies in expectation of health reforms which will induce private insurance companies forced into extending coverage to exert downward pressure on prices. Japan which is the second world market was hit by a biennial price cut and remained steady with the value of the previous year of € 67 billion. The European Market which accounts for € 140 billion was held back by containment measures put in place in all countries and produced the lowest growth on record of 1.4% with actual negative trends in Greece, Portugal, Switzerland and Holland as a result of direct price intervention. The same dynamics of +1.4% were recorded in the European countries where Zambon is present. The emerging countries garnered 15% of the market in terms of value for an amount of € 90 billion, a growth of 13% which confirms their role as a driving force in the global trend. The figure of € 10 billion in growth, in fact, represents half the growth of the world market. Their average price of € 1.9, still much lower than that of other countries, indicates how much more important it is in terms of consumption and brings their weight in the market to 50% and their contribution to growth to 90%. China, Brazil and India are still the most dynamic countries with double digit growth rates, respectively of +22%, +13% and +18%. Even in this area cost containment measures in health systems which are beginning to be adopted mainly through price intervention tend to slow down the historically registered growth of 16% in the CAGR from 2006 up till today.

The large multinationals are reacting to this difficult and patchy situation by optimising their current portfolios, investments and research and production on the one hand and, on the other, by diversification into new geographic areas and into new businesses outside pharmaceuticals such as personal care, diagnostics and veterinary areas. Many partnerships are being established to increase the probability of success in development. Middle-sized companies are confirming their vitality in the market due to their ability to optimise the life cycle of their products and to develop sustainable innovation and benefit from favourable therapeutic trends.

The Zambon pharmaceutical business

In 2010 Zambon recorded total net revenues of € 464 million, the same as last year, despite the flu pathology which was weaker than in 2009 when there were actually two cycles, one at the beginning of the year

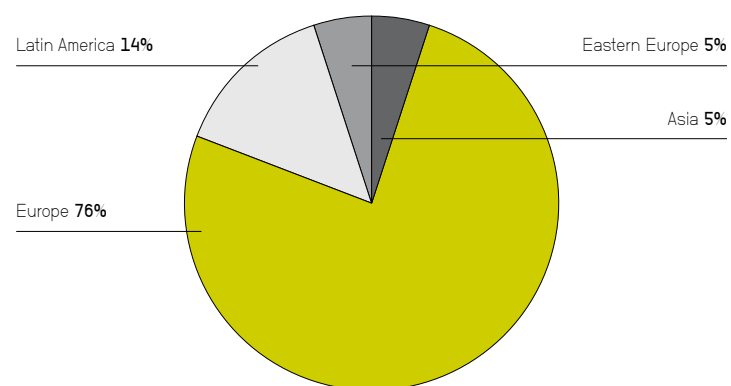
and the other in the last quarter caused by A1N1 and despite the continual price erosion in all segments but particularly accentuated by the substantial penetration of the generic Monuril drug mainly in Italy and France which caused a drop in turnover of about € 19 million.

This heavy impact on sales over the previous year was almost entirely set off by the good performance of the Gastro segment which recorded a 24% growth rate, by the positive contribution of Pain therapy products for an increase of 3% and by Toll Manufacturing which recorded a growth of 20% for a total figure equal to € 33 million.

Growth was also sustained by substantial development and consolidation in countries outside Europe and, in particular, by Brazil, Russia, Colombia and China.

The new launches and line extensions contributed to growth for an overall value of € 9 million led particularly by the launch of Monurelle, the dietary supplement in the Women's Health segment with positive impacts on the portfolios of Italy, Switzerland, Belgium and Russia.

2010: THE MAIN MARKETS IN %



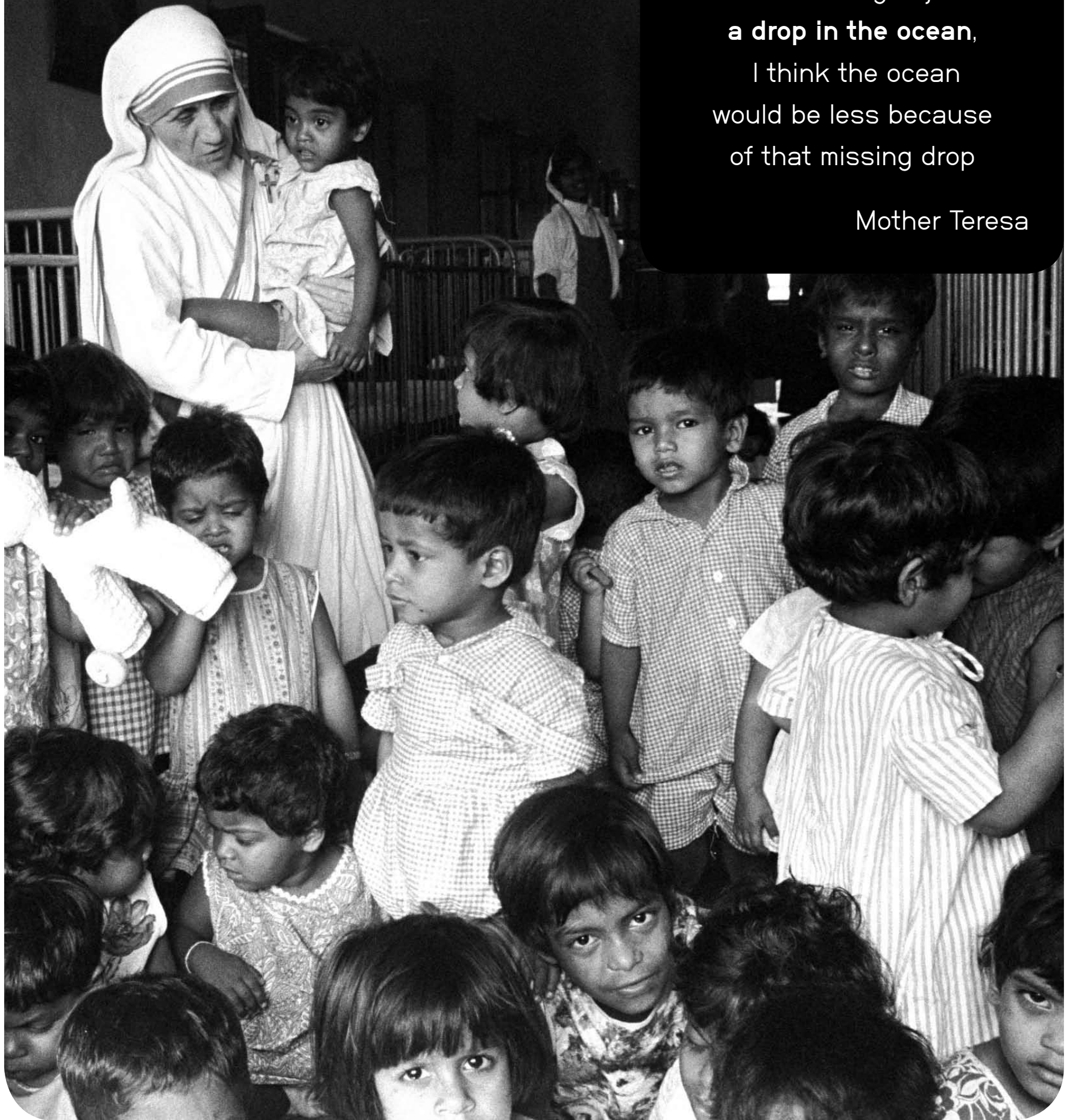
Portugal saw the launch of Movendo, a dietary supplement with a combination of glucosamine and chondroitin sulphate while the Swiss subsidiary launched Otrinol in the respiratory sector, a systemic drug based on pseudoephedrine hydrochloride.

Among the line extensions Italy reports the launch of the Fluimucil Cough Suppressant in the respiratory segment and Spididol sachets and tablets in the pain segment.

The French subsidiary launched Fluicalyptol reporting its entry as a self medication drug.

We ourselves feel that what
we are doing is just
a drop in the ocean,
I think the ocean
would be less because
of that missing drop

Mother Teresa



Zambon's main markets

Italy remains the main market for Zambon SpA with an overall turnover of € 105 million after Monuril became a completely generic drug. The respiratory segment marked a 7% contraction due to the effect of a weaker pathology than had been the case the previous year. Nevertheless Fluimucil turned in a good performance in terms of market share with its launch of the Fluimucil cough suppressant syrup and the re-launch of Rhinofluimucil which registered a 28% increase over the previous year; this was supported by a brief television advertising campaign in the first part of the year and a more intense cycle towards the end of 2010. The launch of Spididol in 400 mg sachets and tablets was particularly promising with the entry of the drug into the self medication market.

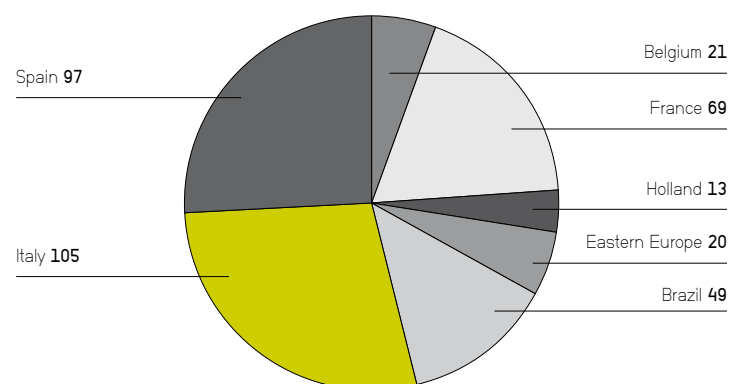
Spain ranked as the second country in the group with an overall turnover of € 97 million despite the 4% loss caused by price cuts to Espidifen, Flutox and Flumil. To be noted the especially good performance in volume of Espidifen due to its resilience particularly in the self medication drug segment. In the Women's Health segment, thanks to the absence of generic entries and price cuts, Monuril marked a consistent growth of 9% and claimed a market share of around 50%. In the pain segment the excellent performance of Durolane with an increase of 19% must be noted and the great success of the launch of Ultralevura produced in licence from Biocodex.

The revenues in **France** totalled € 69 million, a result that testifies to its distress compared to the previous year. The drop was mainly due to the price cut and the drop in volumes of Monuril following the entry of the corresponding generic drug into the French market. The respiratory area recorded reduced volumes and consequently lower turnover due to the weak flu pathology in the first quarter; Biocalyptolo, in particular, suffered a contraction of 24%. On the contrary, Spifen and Spedifen, the two Ibuprofene brands competing respectively in the Rx segment and the OTC markets for analgesics, consolidated their growth with an 8% increase over the previous year.

Belgium with revenues of € 21 million registered a contraction in turnover mainly due to the price cut on Zanidip in licence from Recordati and to the drop in volumes of Lysomucil caused by the weak winter pathology in the first quarter. **Holland** too with an overall turnover of € 13 million recorded a drop in turnover due to lower sales volumes of Fluimucil following dereimbursement and lower volumes of Lerdip/Lertec. **Portugal** generated a turnover of around € 9 million even though suffering from the contraction of Fluimucil caused by the modest winter pathology after the Swine Flu peak at the end of 2009. **Switzerland** claimed revenues for an overall value of € 8.4 million with a growth of 4.5% benefitting from a favourable exchange rate and the launch of Monurelle Cranberry. Among

the countries outside Europe, **Brazil** and Russia were the main contributors to growth. Brazil, in fact, grew by 38% and recorded a turnover of € 49 million sustained by product growth and the favourable exchange rate. Despite the continual and penetrating competition in the market by generics, the growth of revenues was led by the increase in sales of Rinofluimucil, Fluimucil, Seki and Panotile in the respiratory area. The sales volumes of Spidufen are noteworthy and the growth of Ursachol, which gained new life through a more focused promotion aimed at the gastroenterological area. **Russia** which had suffered a drop in turnover in 2009 caused by the slowdown in the Russian economy and the consequent contraction in consumption instead posted a 44% increase in turnover and generated revenues of € 20 million with the special and significant performances turned in by Rhinofluimucil and Monuril which registered consistent growths of 38% and 35% respectively.

SALES BY GEOGRAPHIC AREA IN EUR MILLION



China with an overall turnover of € 9 million also contributed to growth posting a 15% increase in turnover with the development of both Meibida, an important product for the treatment of diabetes and with the consolidation of Fluimucil (+11%) following the implementation of activities in pharmacies in addition to continuous visits to hospitals and doctors. Furthermore during the course of 2010 with a view to optimising the entire supply chain, Zambon Hainan developed a project to establish a locally-owned trading company to handle the importation, sales and direct distribution of its drugs in the local Chinese market.

Colombia posted revenues of € 7 million with a revenue growth of 28% mostly due to price increases and to a slight rise in volumes.

The contribution of **Indonesia** also recorded a turnover growth of 36%. Activities are under way to assess local production plants able to produce

Zambon products in accordance with the new local regulations. The **Distribution** business also showed good progress and managed to set off the strong price erosion which has affected all areas by stepping up volumes. The business declared a 12% increase and generated total revenues of € 30 million. All the areas contributed positively to this result with Latin America heading them up with a 55% increase as a result of Zambon's entry into Mexico, then Germany with a 29% increase with excellent results due largely to Monuril, Eastern Europe registered a 16% rise with the recovery of the Romanian market and the results were excellent in Poland. The Far East also boasted good results with a 12% increase in turnover compared to the previous year and the francophone markets in North Africa posted an 8% increase despite their continuing struggles with distribution and contractual problems in Algeria, especially with the leading product, Biocalyptol.

In Turkey heavy price cuts imposed by the authorities slowed down the growth in turnover of Monuril without, however, slowing down the increase in volumes. Good results came from the Middle East countries where Fluimucil did excellently in Iran and future prospects are good for an imminent entry into Egypt and the Gulf countries.

Our main areas of care

The turnover trend during 2010 was greatly determined by the combination of 3 main criticalities all operating and concentrated in the major European markets: the progression of the generics of Monuril in Italy and their entry into France, the loss of the galenic innovation in Spain for Espidifen and the absence of a winter pathology in the first quarter (that caused a dip in the respiratory area). The overall effect on turnover was, however, well balanced by good market dynamics in countries outside Europe and by the implementation of launch strategies and the development of some of the company's important brands: Rinofluimucil in Italy and Russia, Durolane in Spain, Ursacol in Brazil, Codex and Ultralevura in Italy and Spain, and the progressive development of Monuril and Spidifen in markets not affected by the causes external to the context described above.

The most dynamic therapeutic area in 2010 was the **Gastro** area with a 24% increase amounting to € 6,3 million thanks to the good performance of Ursacol, mainly guided by Brazil, of Codex in Italy and Ultralevura in Spain, both license in from Biocodex.

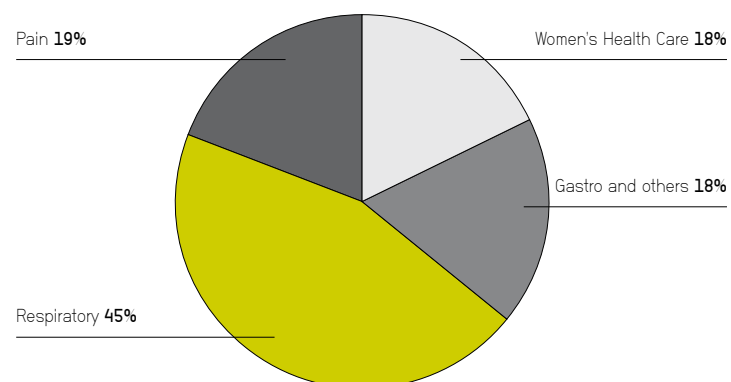
There was also a 3% growth in the **Pain** area largely due to the good performance of Durolane in Spain and of Glucoreumin in Brazil. This was despite the decline of Spidifen caused by the loss of the premium price recorded in Spain in the last quarter of 2010 and almost entirely offset by

the product growth in other countries, mainly in Brazil, France and Italy where in the last quarter the plan to launch the OTC line (Spididol) in pharmacies got under way.

The **Respiratory** area showed a slight downswing compared to the previous year. The contraction of the respiratory area in European countries mainly affected Seki, Flutox and Biocalyptol and also, to a lesser degree, Fluimucil where the decline was set off by its 28% growth in markets outside Europe. Rinofluimucil bucked the trend by a 17% growth thanks to the launch of the new television campaign in Russia and in Italy as did Fluimucil Complex launched in Spain in December 2009 and consolidated over 2010 as it also benefitted from the support of a television campaign. Of note in the last quarter of 2010 was the start-up of the distribution of the articulated forms of the Fluimucil brand in Italy in the OTC segment thanks to the launch of Fluimucil bucal tablets and Fluimucil cough suppressant syrup, both performing well in terms of market penetration and contribution to brand development.

The **Women's Health Care** area shrank by 10% caused by the inroads made by generics first in Italy and then in the third quarter of 2010 by the entry of the Monuril generic to the French market as well, but this was partially compensated by good product performance in Russia, Spain and Brazil. Monurelle for treatment and prevention of recurrent urinary infections and Prefolic turned in good performances in Italy.

SALES BY THERAPEUTIC AREA %



Innovation in Zambon

The Innovation & Medical Sciences structure pursued the line of the previous years and continued to keep new products coming down the pipeline. Development work continued and the phase I studies on IDN5243, vials of TSP and anti-inflammatory band-aids in healthy volunteers were

concluded, while for Z-7200 the first work of characterisation was completed and the regulatory package was prepared which made it possible to begin tackling the first Scientific Advice on validation of the program with European regulatory authorities. During the course of the year an agreement was signed to carry out a phase II study on COPD patients using the new inhalation product. Two further opportunities reached the advanced phase of assessment: the first is a new particularly innovative antifungal product for the treatment of mycotic vaginal infections while the second concerns the development of an innovative compound for the treatment of vaginal atrophy. In the last quarter procedures for the authorisation of the studies for registration of the anti-inflammatory band-aids were begun.

The coordination and support of Medical Affairs continued for its three important multi-centric studies on high dose NAC, two in China, both on COPD and one in the USA on idiopathic pulmonary fibrosis.

The review and updating of dossiers on our products continued as well feasibility studies on the extension new lines of our main brands, specifically on Ibuprofen Arginine, on new packaging materials and on the development of new formulations and dosages.

Work was done on the fine-tuning of the model for the process of assessment, the monitoring and new product validation assessment (PVA). Lastly, the scouting process became operational and by participating in international partnering conferences has led to a significant number of opportunities which are currently being examined.

The **Business Development & Licensing** department continued its work of scouting, screening and product acquisition and licensing-in during 2010 in its search for new opportunities in support of local portfolios for the purpose of increasing short and medium term sales with special focus on Italy, Switzerland, France, Spain and Brazil. This activity led to the execution of a new licensing-in agreement between our Zambon France SA subsidiary and Recordati for the co-marketing launch of Silodyx, a drug for the treatment of benign prostatic hypertrophy symptoms, and this was then extended to the Belgian and Dutch subsidiaries. The Portuguese subsidiary signed a new licensing-in agreement for the Movendo drug, a combination of glucosamine and chondroitin for the treatment of arthropathies, strengthening the pain portfolio and targeting orthopaedic and rheumatological specialists.

The Swiss subsidiary acquired the OTC Otritol nasal decongestant from Novartis which optimises the self medication respiratory portfolio; it signed a new licence agreement with Biocodex France for the drug, Perenterol-Saccharomyces boulardii, a probiotic in the treatment of diarrhea mostly associated with the use of antibiotics-, and the licence agreement with Hennig for Arlevert, the new drug in the treatment of dizziness while it is waiting to receive the reimbursement price. The Belgian subsidiary

has renewed its licensing-in agreement with Recordati for Zanidip and Zanicombo. To optimise the respiratory portfolio of the Spanish subsidiary, the distribution agreement with Hazel Grove UK was executed for the drug Nasalese, a nasal spray based on cellulose, for the prevention of seasonal allergies. The Italian subsidiary acquired a new laxative drug from Promefarm based on Macrogol, to be marketed under the Laxipeg brand and a new drug from Crinos for sore throats.

How we live the organisation in Zambon

The main investments were made in the Vicenza and Cadempino plants. At Vicenza a new freeze dry unit is under construction for the production of TGA and Prefolic products in accordance with the highest quality and efficiency standards. In 2010 Vicenza completed its new blister production line and improved the GMP standards in the liquids units: investment was also approved for the construction of a new building expected to be completed in 2012 where new industrial and communications areas will be housed. At the Cadempino plant the works undertaken on the Meropenem line 1, Annex 1, to bring it into compliance with the regulations were completed and a new packaging line for effervescent tablets was purchased. In 2010 the central coordination of **Manufacturing & Supply** became operational and covered the central offices of Engineering, Quality Assurance, Procurement & Supply Chain and plant management at Vicenza, Cadempino (Switzerland), Haikou (China) and San Paolo (Brazil).

Paying attention to the environment and to safety

In order to guarantee the correct application of rules and regulations on environmental matters, the Group has for some time had structures in place to carry out the task of specific and continuous monitoring and audit. The Vicenza production site has obtained and periodically renewed ISO 9001/2008 quality certification, Environmental Management System certification in accordance with ISO 14001/2004 regulations and Safety Management System certification in accordance with BS OHSAS 18001/2007 regulations. The Vicenza site brilliantly passed two inspections by AIFA (the Italian Drug Agency) in February 2010 for the activation of new systems in the oral and liquids unit and in September 2010 for the renewal of the GMP certificate. In July 2010 the Vicenza production site also passed the Anvisa (Brazilian National Health Surveil-



Don't let false values in life
like money and pleasure and
power turn you into slaves
and make you lose the **true**
sense of life

Mother Teresa

lance Agency) audit for the export and distribution of Zambon drugs to the Brazilian market.

The production site located at Cadempino (Switzerland) has periodically obtained and renewed certification for its Environmental Management System in accordance with ISO 14001 regulations.

Again during 2010 the Swiss production site at Cadempino brilliantly passed the FDA (US Federal Drug Authority) inspection for the export and sale of the Meropenem drug (third party manufacturing for AstraZeneca) in the American market, the Anvisa, (the Brazilian National Health Surveillance Agency) audit for the export and distribution of Zambon drugs on the Brazilian market and lastly successfully renewed the GMP (Good Manufacturing Practice) certificate by Swissmedic, the Swiss Agency for Therapeutic Products, for the sale and distribution of Zambon drugs to the Swiss market.

Future prospects

Turnover in the pharmaceutical sector grows constantly due to increasingly extended healthcare coverage, especially in countries outside Europe, and due to a generalised longer average life expectancy with expectations and demands for better quality coverage, particularly in the treatment of chronic and degenerative pathologies.

The growth in turnover is, however, accompanied by a marked reduction in margins due to price reductions imposed by health authorities in the various countries and to a greater presence of generic products in parallel with the expiry of patents on a wide range of products. In this context Zambon continues its strategy of development and consolidation which is, very briefly, concentrated on quality, on new products and on international exposure which is becoming increasingly more solid:

- the continuous increase of investment in **Quality**. The investment plan for sites and production structures in Vicenza and Cadempino is now nearing completion in the oral solids, freeze dried and liquids units. At the same time the structures and control and coordination methodologies of the Quality Assurance processes at both proprietary and third party production sites producing for Zambon have been stepped up. Assiduous attention to Quality also extends to internal personnel training and to sales networks so that support and product presentation are given in the most appropriately scientific way and so that relations with the interlocutor are more and more personalised and taken good care of. In this ambit the first products entered the market that bear the new pack design studied to distinguish the products by their therapeutic specificity and distinguishability as commonly belonging to the Zambon family of products;

- the selection and introduction into the market of **new products** coming from internal development and constant scouting and licencing activity. Monurelle, the dietary supplement in women's urinary tract infection pathologies, the extension of the Fluimucil range in the treatment of upper respiratory tract pathologies, Silodyx for the treatment of benign prostatic hypertrophy, Rhinomaxil for the treatment of allergic and inflammatory rhinitis and Parenterol are examples of this assiduous activity. Special attention in view of its future potential was paid to the broadening of the gastro-enterological area exploiting the existing corporate skills in order to make the most of the therapeutic offering when talking to both physicians and pharmacists.

The innovation project portfolio is progressing and some of the projects are showing signs of high potential. In particular, one project in the respiratory area attracted special attention from the regulatory authorities of several European countries that validated the development program and asked for only a few amplifications so that they could better support the promising innovative profile. Several antiseptic and anti-inflammatory products for the treatment of upper respiratory tract pathologies will soon reach the market. In line with the development program is a painkiller on an innovative slow release band-aid support. In the same pain area new variants of development were considered for the IDN-5243 project relating to the treatment of muscular-skeletal pathologies. In the meantime new projects are being assessed and entering the pre-feasibility phase;

- the way to **internationalisation** of business, especially through the growth of markets outside Europe and in particular in Latin America, CIS and East Asia where sales forces are expanding and a focus on the pharmacy channel continues to grow, reinforced with special operational models for each individual country. The local subsidiaries which have further strengthened their structures and professional skills are taking care to encourage this growth. Further expansion is being sought through the start-up and development of business with local distributors, many of whom have collaborated with Zambon for many years and with others who have been selected in new countries for their qualities of compatibility and reliability.

“This partnership is unusual because it goes beyond licencing a technology to fund early-stage innovation in drug delivery systems. That research is exactly what we needed to see whether these new and promising systems will work”.

Tejal Desai, PhD, a professor of Bioengineering and Therapeutic Sciences at the UCSF School of Pharmacy

The strength of Zcube: the scientific **network**

The pharmaceutical industry is under heavy pressure from a series of factors intrinsic to the business such as losses on turnover as a result of lapsing product patents, more cuts in health spending in various countries and increasingly stringent regulatory requirements.

Ways to approach and manage innovation are increasingly crucial factors in guaranteeing new and better diagnostic techniques and therapies for patients and in encouraging the development of enterprises in the health sector.

The goal is to increase the number and quality of innovative therapies but with a compatible cost-therapy/clinical benefit ratio without incurring unsustainable R&D investments. Zcube decided to operate through a strong private-public market-oriented collaboration which consolidates and valorises the new technologies through product development. In particular, it focuses on drug delivery systems (DDS) and medical devices in both the diagnostic and the therapeutic fields.

The scientific network is Zcube's strength and allows it to valorise early-stage technologies in international university groups, pursuing two objectives at the same time: to transform young technologies into commercial opportunities through a process of validation and industrialisation and to generate new drugs using such innovative technologies in drug delivery. After three years of activity, Zcube is today an internationally appreciated partner and has undertaken several important collaborations:

- Israel: the Hebrew University of Jerusalem, innovative technology for nasal delivery dedicated to pain therapy. Collaboration with the group of Israeli researchers has led to the consolidation and validation of the technology. At the same time, the first pain therapy product was characterised at the pre-clinical level and generated a very interesting profile based on a faster analgesic effect, a reduced delivery dose and improved patient compliance.
- USA: investment in the San Francisco Mission Bay Capital fund (MBC) focused on project financing in QB3, one of the most productive and avant garde incubators in the United States, with more than 200 researchers from the University of California in the San Francisco area, (Berkeley, UC San Francisco and UC Santa Cruz) where today Zcube is a member of the Industrial Advisory Board. In 2010 MBC invested in three start-up companies which are now part of the QB3 structure.
- USA: Arizona State University (Phoenix), innovative technology for the development of devices designed for more effective monitoring, prevention and treatment of chronic respiratory diseases such as asthma. The project under way in Phoenix aims to complete the work on the device

which will then be produced and marketed.

- USA: UCSF (San Francisco, CA), DDS dedicated to oral medication with a special site-specific release system. This is a microtechnology offering an innovative solution which can increase drug safety, act directly on the area affected by the disease and decrease the amount of drug in each dose. This collaboration is with a particularly prestigious university group working on the optimisation of some products which bring significant therapeutic advantages.

As these examples show, the new approach to the University has led Zcube to identify promising projects and to develop synergies with the therapeutic areas of the corporate core business thus generating further opportunities for Zambon.

Investment activity

Through the activity initiated in 2003, today Zcube is one of the investors in three biotech realities in Europe: PharmEste Srl located at Ferrara (Italy), SuppreMol GmbH with headquarters in Munich (Germany) and ProtAffin Biotechnologie AG with headquarters in Graz (Austria).

Zcube plays a mainly financial role in these three companies and maintains an investment program in order to help the company which grew out of the project achieve success.

The development plans of the three companies, in line with forecasts, are promising in terms of future growth.

PharmEste S.r.l., a spin-off from the University of Ferrara has the objective of identifying and developing TRPV1 (Transient Receptor Potential Vanilloid 1) receptors antagonists in the treatment of TRPV1-mediated pathologies such as neuropathic pain and urinary incontinence.

The first drug candidate (V377) was identified and entered clinical development in 2Q2009. During the course of 2010 the work scheduled in the development plans continued on both the PHE377 molecule for neuropathic pain and on research projects aimed at identifying other drug candidates.

Organisationally, the company located its research group in the new laboratory complex at the University of Ferrara while maintaining its management offices in Zambon's scientific complex in Bresso (MI).

After Round A financing in 2007, PharmEste completed a first Round B financing in October 2008 with the entry of important new investors and a subsequent extension of financing in 2010.

SuppreMol GmbH, a spin-off from the Max Planck Institute of Biochemistry in Munich (Germany) focuses on the treatment of autoimmune pathologies like Lupus Erythematosus, Idiopathic Thrombocytopenic Purpura, Rheumatoid Arthritis and Multiple Sclerosis. The first

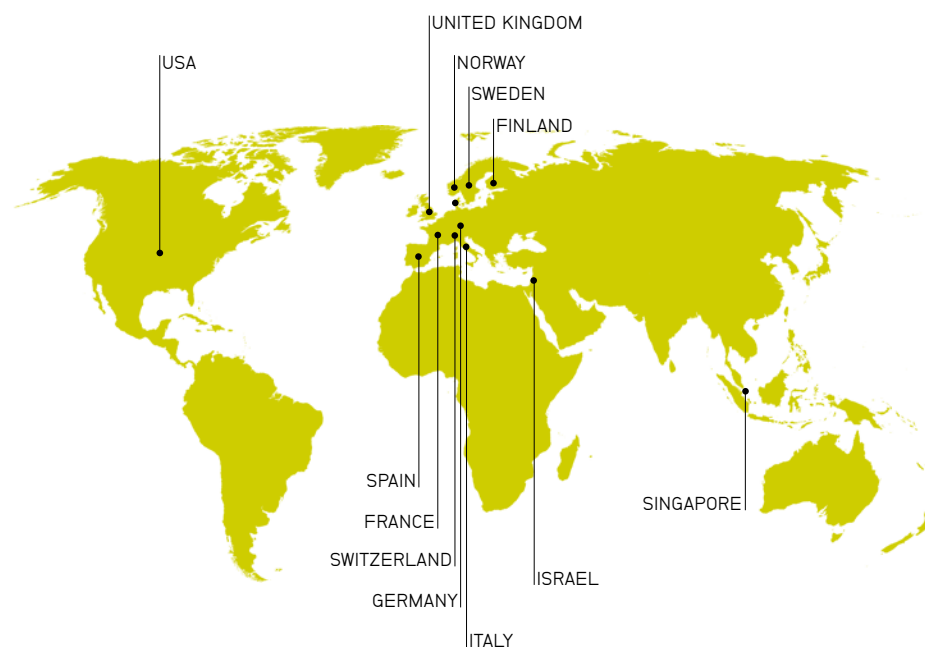
drug candidate (SM101) was identified and entered clinical development in 2Q2009. SuppreMol closed Round B financing in 2008 and a subsequent Round C in 2010. During the course of 2010 development of the main SIM101 compound for therapy in autoimmune pathologies continued successfully and exploration was carried out on the potential of the molecule for use in other therapeutic treatments. Alongside that, the structure was implemented in order to adapt to the state of portfolio development.

ProtAffin Biotechnologie AG, a spin-off of the Karl-Franzens University of Graz (Austria) operates in the field of inflammatory pathologies such as rheumatoid arthritis, Crohn's disease, COPD and cancer. The development of the ProtAffin technological platform has led to the identification of the PA401 drug candidate currently under preclinical development for various therapeutic indications.

During the course of 2010 the Company focused on the most advanced product and pursued the work of pharmacological characterisation and optimisation of the raw material production process for clinical studies. The first phase I clinical study is scheduled for 2011.

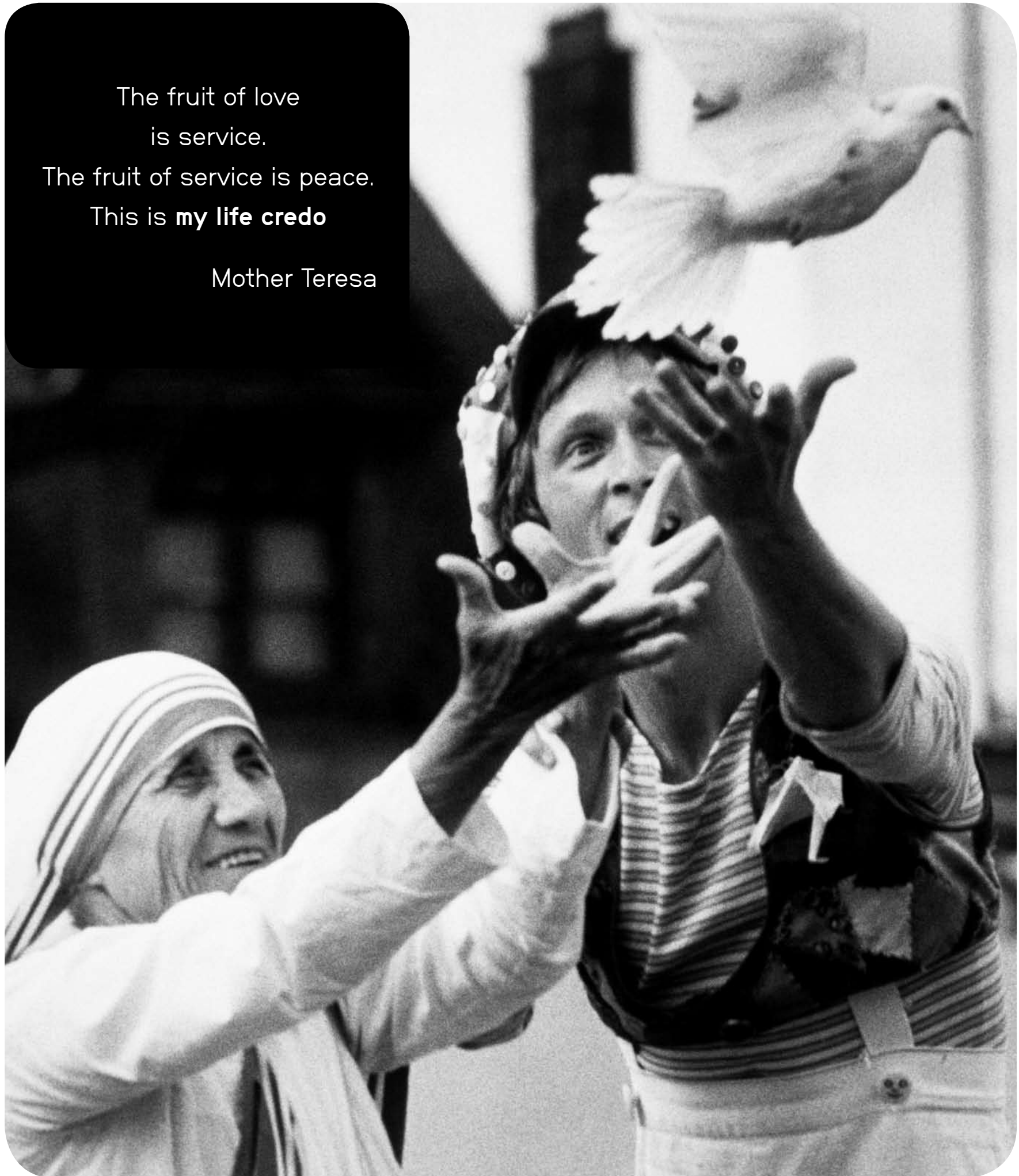
Similarly work continued on identifying a new compound to develop in preclinical development. In April 2009 ProtAffin completed a Round B financing.

THE ZCUBE INTERNATIONAL SCIENTIFIC NETWORK



The fruit of love
is service.
The fruit of service is peace.
This is **my life credo**

Mother Teresa



A privileged partner
of the pharmaceutical
industry offering
products and
services with high
added value, based
on the excellence of
our innovation and
on perfect execution

The chemical **scenario**

The active ingredients and pharmaceutical intermediates sector as a whole in 2010 showed an improvement over the previous year and the second half of the year confirmed the positive signals of the first half. The trend of the dollar after rallying in the first half caused some worry as it dipped against the Euro and weakened the competitiveness of European productions.

Different dynamics in the various geographical areas influenced the growth recorded in 2010 in the world market of active pharmaceuticals ingredients (API) which settled around 5.5% in value. According to IMS data, the current \$ 80 billion per year in the world generics market are forecast to grow at the rate of 8% to 9% per year and are expected to reach \$135 to 150 billion in 2015.

Government policies aimed at rationalising public health spending encourage increased use of generic drugs. In this respect, IMS Health data show that in Europe generic medicines represent almost half the medical packages sold to Europeans while in Italy the market share for generic drugs is lower than 20%.

In this context it is always foreign demand that absorbs more than 85% of the sector production and determines the financial results of the companies.

The sector has been international leader for decades but it must now face Chinese and Indian competition which take advantage of more permissive regulations than those in force in the European Community. Excessive bureaucratisation is another criticality with which companies in the sector must deal.

That penalises Italian companies not only with respect to the Far East but even with respect to other European producers. Simplification of authorisation is needed such as the simple notice for APIs intended for Phase I chemical experimentation and for production for third parties instead of the current authorisation to produce.

In the USA, considered a mature market (2009 - \$ 25 billion), a slow-down in growth was recorded, sustained only by the API generics market which accounted for 74% and by biotechnology products for the remaining 26% market share.

The current global economic crisis has created an obstacle that has generated a strong contraction in consumption on the pharmaceutical market. The Canadian market is also down but with a higher growth rate than that of the United States.

Other factors contributing to making the American market so extremely challenging for API producers are the increasing pressure of regulatory demands that must be met in order to gain authorisation to the market and the consequent increase in costs and time needed to imple-

ment innovation. API market growth in Europe is also suffering a lull with different scenarios for different countries: the total API market is dominated by the United Kingdom which accounts for 18% of the total value followed by Germany, France and Italy.

There is an increase in demand in the Eastern European countries recorded which accounts for about 30% of the API European market share.

The strong economic growth of India and China continues to sustain the rapid development of the API market in Asia which is proving to be a competitive producer of generic APIs and intends to pursue the development and production of innovative drugs for leading world pharmaceutical companies.

Custom Synthesis shows an improvement over the previous year.

The tendency towards aggregation continues among the large pharmaceutical companies including both originators and generic drug companies.

This phenomenon has not yet taken root among API producers, a sector which is still very fragmented and composed of small and medium-sized companies, many of which are family-owned.

This disproportion between the players in demand and supply not only weakens the latter but means that sooner or later it must be redressed through an aggregation of API producers.

An intense 2010

The chemical context of 2010 was troubled by some particularly significant difficulties such as the decrease in the number of new Custom Synthesis projects (in 2010 only 25 NDAs were filed with the FDA), strong price competition by Asian producers, the penalisation of European companies due to the weakness of the dollar and the policies of our clients to reduce stocks.

It is important to note that at Zach, Zambon Chemical, at the beginning of December last year, we passed the *re-inspection* of the FDA at Avri   (NO remarks and NO Form 483) with flying colours and with the consequent removal of the *Warning Letter* received in October 2009. This has allowed us to resume our research work in new Custom Synthesis projects and thus to recover full qualification as a site authorised to produce for the American market.

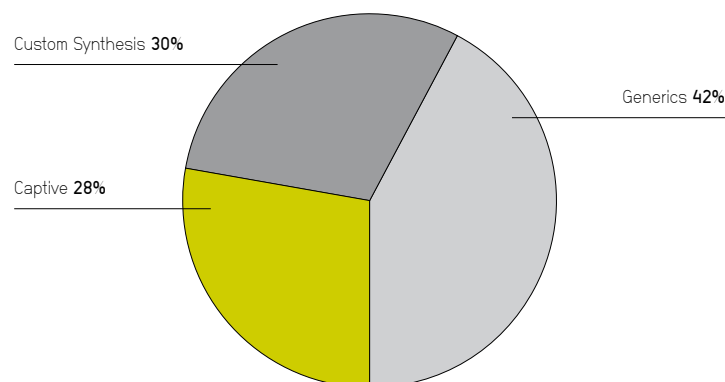
During 2010, the cultural integration and harmonisation plan went ahead at the Avri  , Bresso and Lonigo sites. It was thus possible to assess more broadly the internal resources on the basis of skills and experience acquired and to set up training courses for the improvement of existing professional expertise.

Results achieved

In 2010 the sales of the Zach System SpA Group products reconfirmed the   114 million of the previous year.

In 2010 in **GENERICS** we recorded   47 million which is an increase of 20% over the previous year. This accounts for 42% of our turnover as compared to 36% in 2009. The marked increase in turnover was substantially due to the excellent performance of Gabapentin which put us among the top players in the market, along with the help of an aggressive price policy. Sales of Diltiazem and Nifedipina also rose but the sales of one of our historic products, *Sulindac*, suffered as market consumption of that product dropped.

2010 SALES BY BUSINESS SEGMENT %



The first sales began of Bosentan, for the Research & Development purposes, with patents expiring in 2015 in the USA and in 2017 in Europe and the finished product based on Gabapentin turned in an excellent performance with a 40% increase and defended its good margin. This last result strengthened our resolve to increase our development of *Dossiers* for finished products based on APIs that we produce.

Lastly we consolidated our industrial collaboration with Malladi for the production of both Gabapentin and Bosentan.

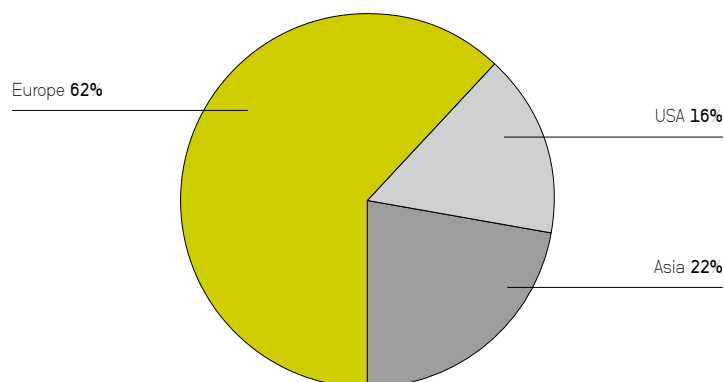
In the **CUSTOM AREA** sales reached   34 million although this was down from the previous year and now represents 30% of the overall turnover as compared to 35% in 2009 whereas the **CAPTIVE** quota went from 30% to 28% with   31 million representing a 5% decline over the previous year because of the entry into the market of fosfomycin generic products.

Research and Development

The two Research and Development groups at Lonigo and Avri   continued work on strengthening operational structures with both personnel and tools. Significant investment was made in the high resolution analytical area (NMR, HPLC-MS) and microtechnologies by innovatively updating the equipment made available for research and development of low waste and emission production processes.

Special attention was given to industrial processes with major impact on the profit and loss account by dedicating resources and time to continuous improvement of yields, materials recovery and operational conditions.

2010 SALES BY GEOGRAPHIC AREA



Safety was a central goal and audits of laboratory processes using the latest generation instrumentation were stepped up.

A special analytical technique was perfected in collaboration with Sincrotrone of Trieste for the determination of polymorphism and the characterisation of crystallinity of drugs to improve their effectiveness and safety: it appears, in fact, that the effectiveness of the drug and its modalities of action depend not only on the chemical composition of the active ingredient but, in particular, on its crystalline form, that is, on the way its molecules are spatially organised.

In the Custom Synthesis area efforts continued to constantly reinforce the good relations that Zach enjoys with the major pharmaceutical companies of the world.

In the Generics area the considerable job of refining the process of

some products already in portfolio, was completed and the chemical and process screening was begun on some new molecules - future generics or "generic evergreens" with a view to increasing our product list.

Technologically we stepped up our research into new continuous flow technologies by inserting microreactors and on-line control instrumentation of the processes at pilot scale and in the laboratory. Access was increased to important data banks in the sector.

Lastly we further reinforced our intellectual property by filing several process patents and developing important collaborations with some universities (the universities of Milan, Bologna, Trieste and Padua) and CROs (Contract Research Organisations) such as, for example, Solvias and Johnson Matthey, for the allocation of some of our research projects to centres of excellence.

A continuous investment in quality

The Group operates in a highly competitive market in terms of product quality, innovation, reliability and safety.

Zach uses only reliable and qualified suppliers and, in particular, for each strategic raw material, it has a variety of suppliers so that raw material and strategic excipient availability and prices are constantly monitored and any criticalities can be promptly identified and the necessary actions taken to ensure necessary production autonomy.

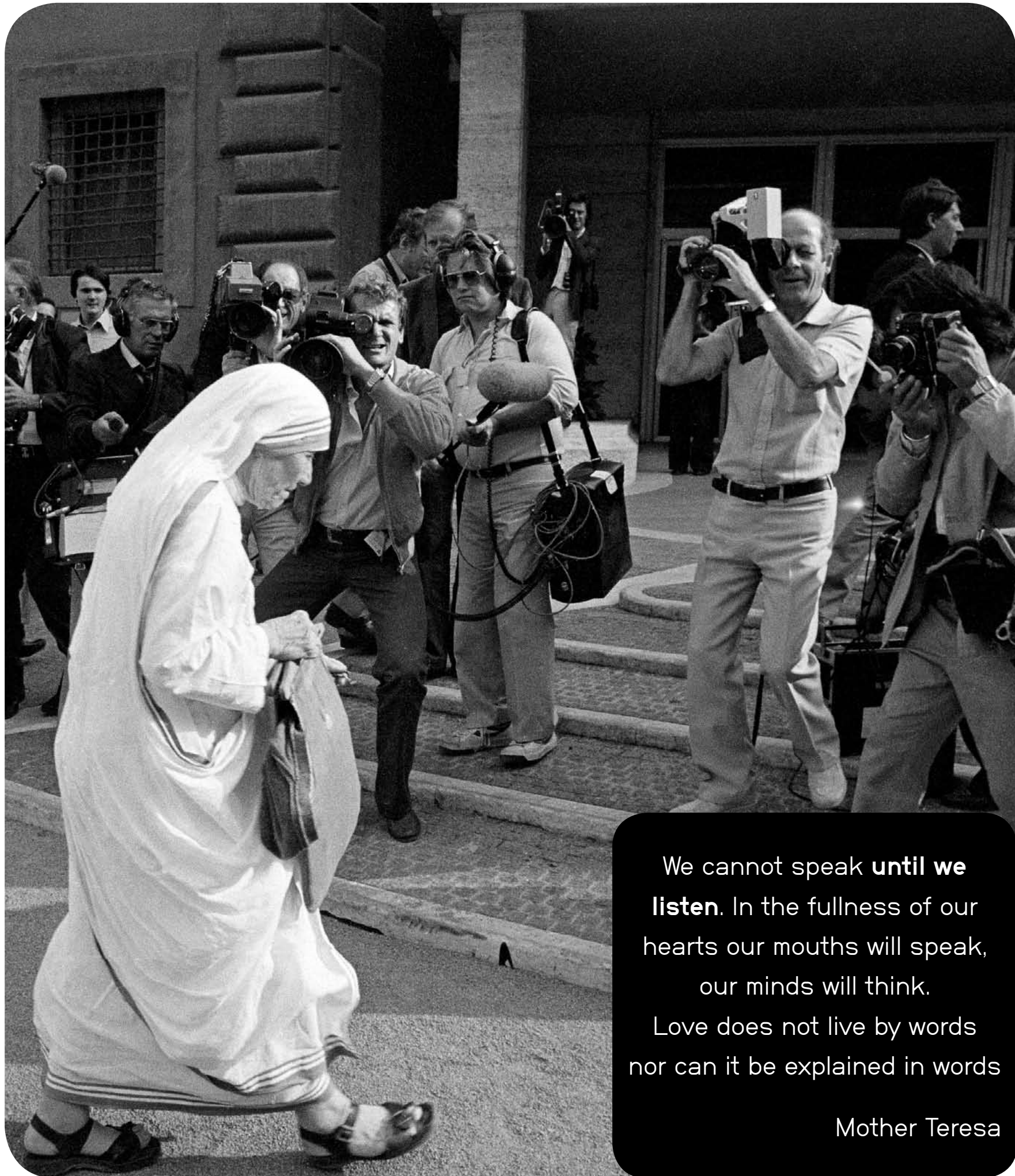
Environment and safety

The products and activities of the Zach Group are subject to many rules and regulations (local, national and supranational) on environmental matters. In order to ensure that these regulations are properly applied, the Group continues to invest in providing structures specifically tasked with constant control and monitoring and expects this commitment to continue in order to always be equipped at these safety levels.

The Lonigo production site has obtained and periodically renewed certification of the Safety Management System in compliance with OH-SAS 18001 and the Environmental Management System in compliance with the ISO 14001.

The French plant in Avri   preserved the certification for its Environmental Management System ISO 14001.

During 2010 Zach continued its intense practical training efforts in the field and in continuous updating on current regulations on safety,

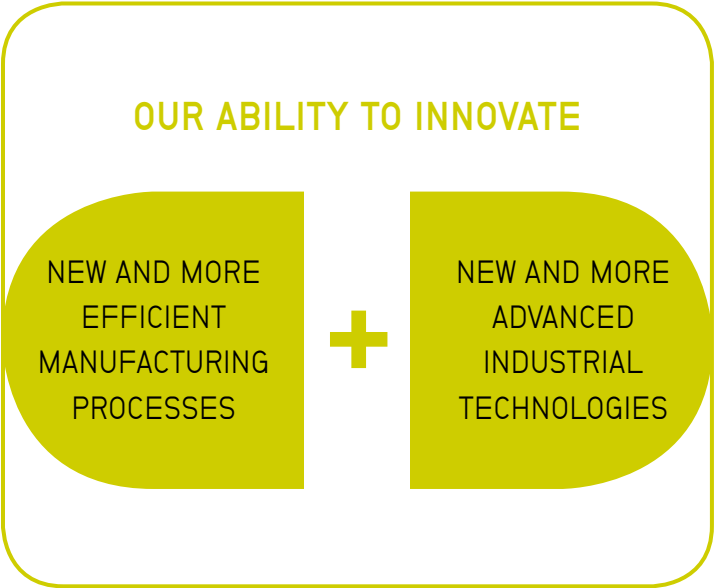


We cannot speak **until we listen**. In the fullness of our hearts our mouths will speak, our minds will think.

Love does not live by words nor can it be explained in words

Mother Teresa

health and the environment, good manufacturing practices and the application of Standard Operating Procedures. During the year training courses were also set up to develop and improve existing professional expertise and to promote talented young people in some roles.



Prospects for the future

The generic drug market, although in constant expansion all over the world, is characterised by very strong competition which leads to growing pressure on the prices of raw materials, the sector in which we operate.

Asian producers are now firmly established in all markets and are a limiting factor to the development of all western API producers.

This is the basic reason why we decided to make a special push to find new custom synthesis projects. Additionally we decided to increase our work in the formulation of dossiers of finished generic products, particularly of ophthalmic specialities for which the problems of bioavailability are markedly simplified in order to provide added value to the active ingredient contained in them and to have an additional margin through the sales of pharmaceutical specialities.

Several new advanced technologies are under study for a new approach to traditional methods and to ensure production by increasingly automating the various production phases. In research, the use of more and more sophisticated equipment accelerates our ability to follow complex chemical projects.

Efforts to achieve the integration of operational functions among the various European locations have given positive results and the exchange of personnel among the sites has become a normal factor, especially at the managerial level.

While the company perseveres along the path to improvement, it may once again this year suffer in terms of profitability despite the efforts we are making to try to control and, where possible, to lower operating costs.

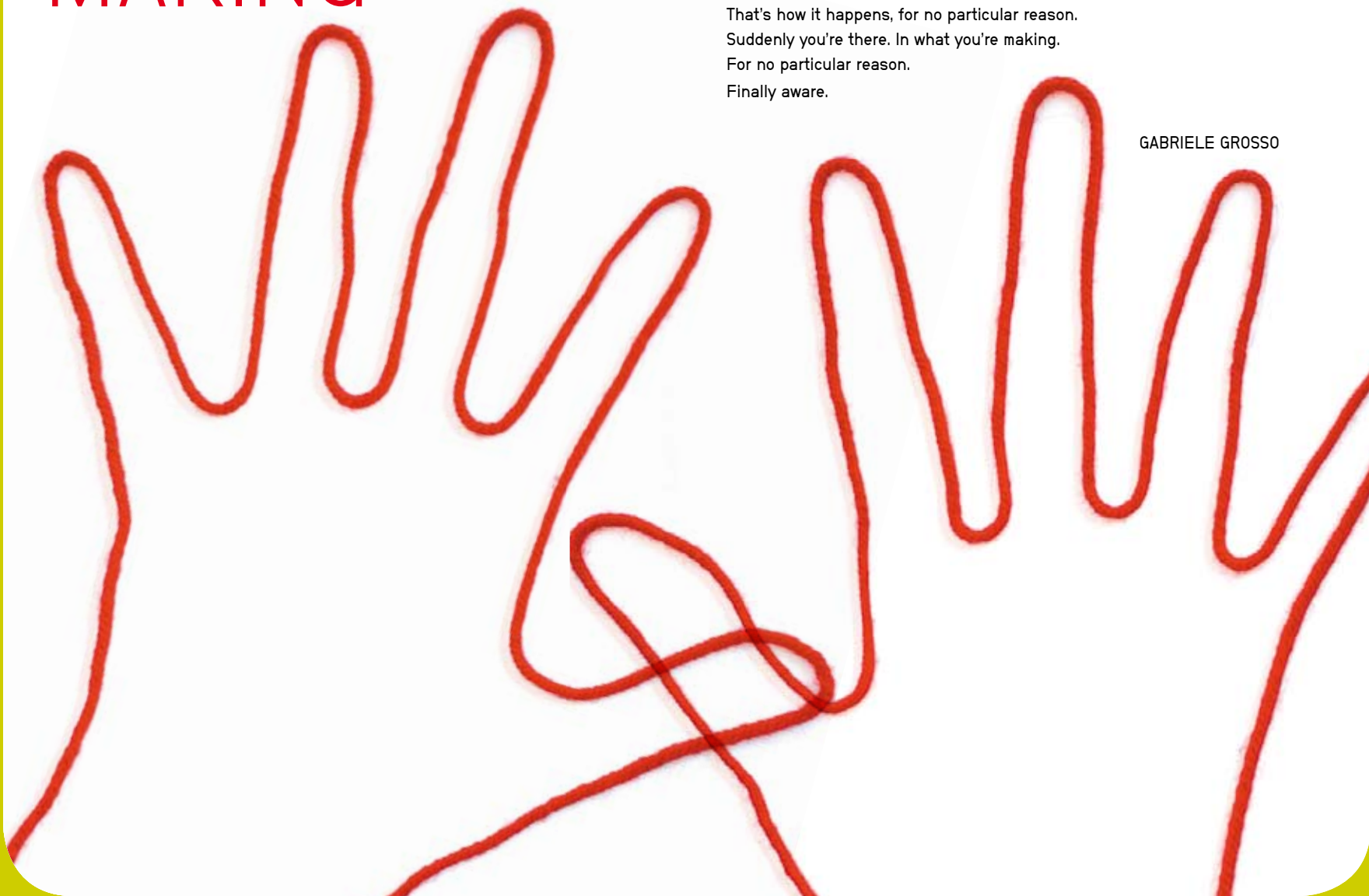


**A THIN
COMMON
THREAD
CONTINUES**

FROM HAND TO HAND A THIN COMMON THREAD FOR THE MAKING

Making just for making.
Without knowing,
what you're making.
And then unmaking.
Without believing
in your making.
Then perforce remaking.
Without loving
what you're making.
That's how it happens, for no good reason.
When making is so far
from being.
When gesture's a stranger,
to sense.
When you're there, separate from the rest.
From the little things,
from the day in day out.
From what counts.
That's how it happens.
While it stays that way. For no good reason.
Then one step. And then another.
Ahead. Or maybe to the side.
That's how it happens, for no particular reason.
Suddenly you're there. In what you're making.
For no particular reason.
Finally aware.

GABRIELE GROSSO



THE MAKING OF OUR HUMAN RELATIONS

Being together in Zambon

2010 saw the continuance of a series of initiatives begun in the years previous which have gained momentum and become traditional occasions for getting together to making people welcome: for example, **Welcome on Board** (WoB) is an occasion when the activities of the various offices and plants stop work for a few hours to devote time to officially introducing the new people who have joined the company to everyone.

This is also the chance to bring everyone up to date on the main projects under way both in business and in general.

In Italy in 2010 there were 3 WoBs, 2 of which took place in the Lonigo and Vicenza plants and this year the Swiss plant at Cadempino joined this initiative taking advantage of the occasion to inaugurate its new spaces which it has developed in accordance with the *benvivere* philosophy and codes.

Zambon has been constantly promoting encounters for its collaborators open even to those outside the company who wish to participate and 2010 was a very rich year: we began the cycle “**Zambon reflects with...**” in January when we invited Umberto Ambrosoli to the Open Circle to present his book “Qualunque cosa succeda” [“Whatever happens”] on his father who was murdered in the sixties in the course of his duties as liquidator of the Banco Ambrosiano.

His was the lucid and serene testimony of a man who as a son has certainly paid the price of this painful experience but who, at the same time, has been able to live the father figure as a presence inspiring him to be consistent in maintaining the values and ideals for which his father had lived: not in some distant form of heroism but in that honesty practiced daily, in the simple gestures of everyday life.

After that very moving meeting, in July “**Zambon reflects with...**” pitched the opportunity to put the values of Rugby to the test: rugby – a sport infused by a profoundly authentic sense of correctness which we

were able to live ourselves through the testimony of two former players. Some of us were also able to actually try in person to play it on the pitch and to apply what we had heard.

This was such an engrossing experience that we were persuaded to extend it to the production plants as well in view of its educative value of such great immediacy.

In October instead we had the pleasure of hosting a prestigious neurobiologist at the event called “**Zambon meets the University**”: Cristina Alberini and the secrets of the mind. Using simple layman’s language suitable for a varied audience, she described the molecular events which guide the consolidation and the reconsolidation of memories, their memorisation and processing and she offered us the opportunity of an easy approach to even such complex scientific subjects as this.

Then the third cycle of events “**The Discovery of...**” through which in these last 2 years we have deepened both our general and cultural knowl-



Christmas Party, Cadempino 2010

edge of the Countries where we have a presence, hosted some General Managers who gave us first-hand accounts of the context in which we operate.

The month of September was dedicated instead to our children with the organisation of “**Children’s days**” in all the Italian locations including the production plants: this was a time for encounter in our corporate spaces to show our children the places where we work. In Vicenza, for example, the children visited the plant and saw several production lines in operation during an entertaining fun-filled day.

Lastly, December was the usual get-together of all the employees of all the various Italian locations – Bresso, Lonigo and Vicenza – at Cadempino with our Swiss colleagues for **the Christmas party** and the exchange of good wishes. This is a fundamental time in the year which we always

try to honour because it is a precious time when all the people meet each other and share together, not just the information highlights on the business trend of the year just over, but especially the prospects and initiatives for the coming year which are launched on that occasion.

This year, in particular, the theme inspiring the party was the integration explored in all those procedures which can help us work together and overcome the divisions springing from the various roles, knowledge and skills. Those present had the chance to experience in person a special kind of integration thanks to the contribution of Maestro Francesco Erle, a professor at the Venice Conservatory and composer, who composed a “hakaola” for us, a sort of Zambon “hymn” which put to music some of the thoughts and reflections of our colleagues who had played in the rugby matches.

The performance of the “hymn” was got up and sung live by the participants during the meeting as a tangible sign of what integration can do even in somewhat unusual circumstances, all united by the desire to have a hand in the making together.

The tools for “making” together in Zambon

In the area of communications and human relations as well, the idea of making, and quality making was translated into very concrete goals and projects in 2010: the spread of a global web connection system – the **Intranet** – which reaches almost all the countries where Zambon is present.

In the month of December the new institutional **Internet** sites of all the Group companies were launched to project a uniform and coordinated image aimed at communicating the deep roots of the identity of this enterprise. The profuse training commitment was also important during the course of 2010. Since 2009, in fact, Zambon called upon all its staff to do something more delicate than “just” the usual business of making and asked them to personally put themselves on the line in their daily behaviour by incorporating company values in their own individual responsibilities. In 2010 Zambon consequently initiated a broad training project with the goal of concretely translating these values into actual behaviours.

The “**Simplify for the client**” project title already expresses the goal – that of making the organisation more responsive to requests coming from the market in a sector where the client is the patient, the physician, the pharmacist and the hospital. The training proposal was global but tailored to the corporate areas to which it was addressed and involved about 600 persons for a total of 1300 training days spread over clerical staff, the field force and the production sites.

The program was directed at the development and dissemination of the culture of cooperation in the processes and of initiative/innovation through awareness of the importance of everyone’s pro-active contribution, of the ability to shoulder and assume responsibility even beyond one’s own organisational role, and of a greater knowledge of the business and the market using a common approach to the reading of the organisation.

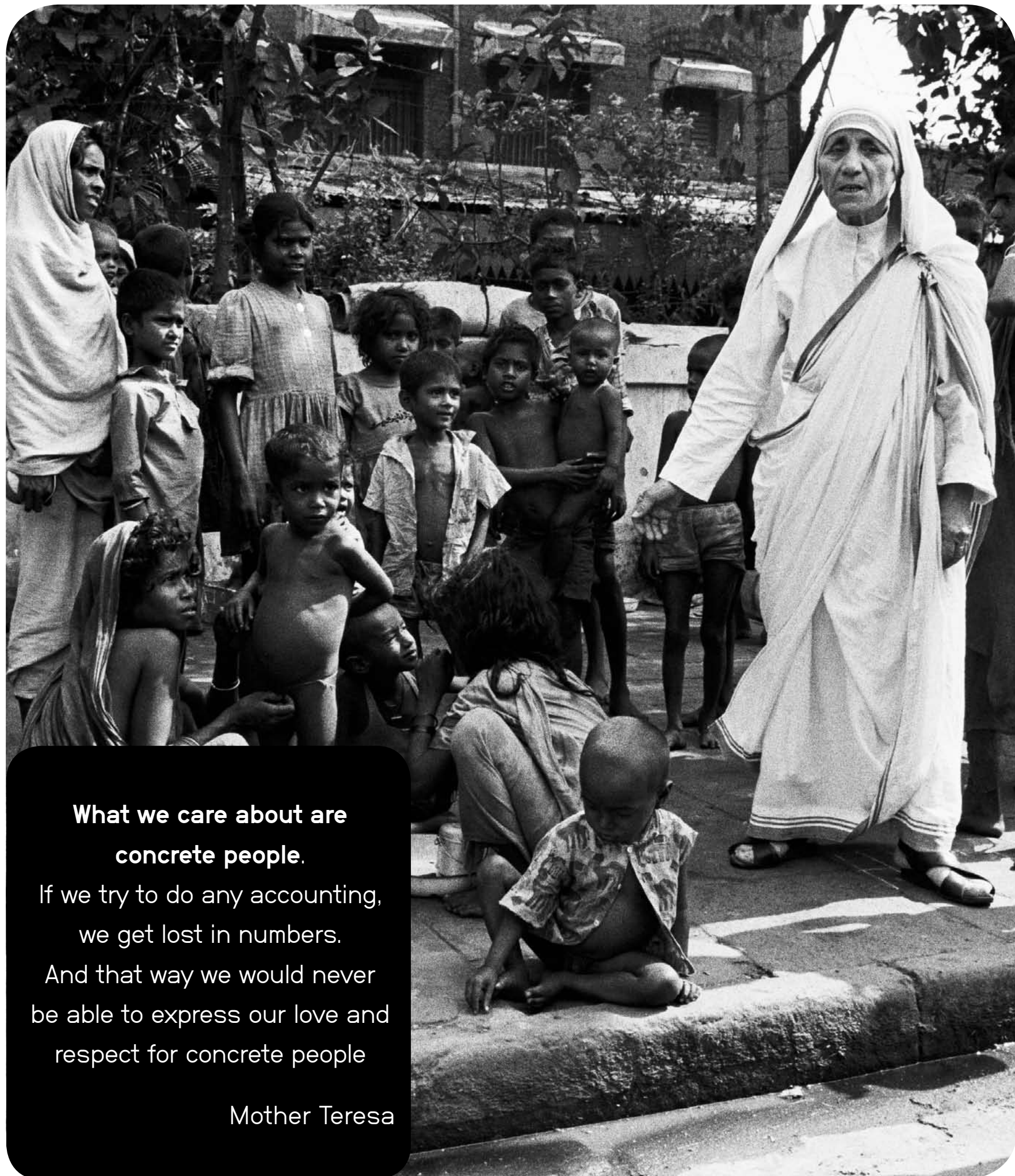
All in all, it was training founded on the idea of “making” rather than theory, therefore, but practical and playful, employing the simulation of concrete examples and focusing mainly on initiative, responsibility and execution. After experimenting with innovative methods to bring out individual resourcefulness the groups worked together on organisational rhythm, on simplicity in external and internal relations and on the ability to make the difference.

Finally the project involved production sites, both pharmaceutical and chemical. Here the simplification of processes means working with the factory workers, the technicians and the unions on questions of production efficiency, not just innovation in the search for more effective indicators, but it also means searching for the key to productivity in the daily efforts that each one can make in order to improve the process of which he or she is part.

This was the way we sought to look with new eyes at questions of factory efficiency and we used an extraordinary tool – **rugby**: taking our inspiration, in fact, from our experience in the Values Meeting – during which a mixed group of persons coming from all the departments and offices of central management had a try at this sport – we organised a similar activ-



Colleagues from the various Italian locations giving an afternoon of Rugby a try



**What we care about are
concrete people.**
If we try to do any accounting,
we get lost in numbers.
And that way we would never
be able to express our love and
respect for concrete people

Mother Teresa

ity for the employees at the production plants where rugby was used not only as a sport-guide in terms of the expression of the values such as team spirit and loyalty but also as an organisational metaphor to be used in practical terms for concretely passing on to the participants the philosophy of this sport which is as interesting as it is fascinating.

The philosophy of this sport is one of extreme correctness although it is a contact sport, – advance with support, run forward, pass the ball back, be aware of the difference in the roles and the contributions of each player and respect for the adversary – all these were lived by the participants as protagonists through practical action on the field.

It began with the presentation of a celebratory jersey to each participant and each person was able to “try” on the pitch some of the play mechanisms so they could experience on the ground some of the most beautiful sensations of this discipline.

The third half wound up the activity, that typical time in the rugby tradition where all the players get together after a shower, have a beer and re-hash the day’s activities together.

The work done with the Network was different, but only relatively so, where the values of paying attention to and listening to the client were analysed in the light of the ability to understand and properly diagnose the needs, to make them a target and to recognise specificities.

Through the contributions of the area managers playing the role of facilitators, the field force worked on the tools of “listening to the market” and on the ability to establish relationships of trust, professionalism and intelligence to valorise their own relationship bases.

The central sales structures were also offered suggested behaviours for paying attention and listening to support a field force able in its turn to listen to physicians.

During 2010 a training path in the new assessment system began, the **Performance Coaching Dialogue**: a scheme constructed especially to inspire and encourage an open dialogue between manager and collaborator on three levels which for Zambon are fundamental, that is, project management and participation in them, living the relations with colleagues, superiors, outside organisations and the role.

The primary scope of this new system is to foster procedures in relations between supervisor and collaborator so that they sit down together at least once a year and by mutual consent talk over the year just past, not only in terms of results achieved but also in terms of how those results were achieved. It is a time for verification but also a precious opportunity for sincere feedback – on both sides – and a time to build together on the ideas for improvement that the system helps to identify.

In the whole Zambon world everyone has had a chance to share the philosophy of this new instrument, and to practice applying it together in the classroom and it will be put into practice for the first time in 2011.



A culture disseminated throughout the world: **Benvivere**

Benvivere, born as a way of being and understanding work, has made progress, introducing the culture which brings our environments to life and encourages initiatives to flourish in all our establishments throughout the world.

In previous years we saw Benvivere spaces springing up with their characteristic colour codes, symbols and furnishings in Bresso and in the plants at Lonigo and Vicenza, but the project of successfully implementing Benvivere in the realities of all our establishments has developed and spread like wildfire right during 2010.

New spaces were inaugurated and dedicated to the *philosophy of well-being* in our production plant in Cadempino, in the Spanish subsidiary in Barcelona, in France, Belgium, Holland, Colombia and Brazil. The idea of having common spaces and symbols in the Zambon world is an important sign of the attention we wish to dedicate to this community of enterprise in which social dynamics are expressed that can promote encounters, informal exchanges and the sharing of ideas and projects by cultivating relations among people. Each subsidiary has been able to reflect Benvivere not only through the spaces but also through initiatives that encourage being together and personal growth in addition to professional growth like the Information Breakfasts (Spain), the training sessions (Brazil and Italy), the language courses and the library (France, Belgium, Holland, Spain and Italy) and which can provide facilitations for all Zambon collaborators like flexible hours, massage services and conventions or partnerships with other companies. Thus a circuit of relationships has grown up so that today the whole Zambon population can actually live and “breathe” Benvivere. This reality has become the common thread not only of a philosophy but of a veritable culture which brings together and unites our enterprise under one sole aegis called Benvivere.



**DARIO GAZZO**


22 YEARS OLD, PROCESS OPERATOR,
3A SYNTHESIS PRODUCTION UNIT
FINE CHEMICALS PLANT, LONIGO

FROM HAND TO HAND

I feel a great sense of responsibility in my job; if I **put something of my own** into the various phases of the process, I can be proud of the fact that it does not upset the finished product and that the final job is also the fruit of my own passion. Doing my own job well means making the jobs of others easier because it's a little like **looking beyond my own little bit...** That is the way I was brought up, my parents passed on to me this passion for what you do in your private life and on the job too: basically for me, working with my colleagues is a little like giving a hand to my friends.








DARIO D'ADDEDDA
28 YEARS OLD, PRODUCT FINISHING UNIT OPERATOR
FINE CHEMICALS PLANT, LONIGO

LENDING A HAND

In working on the finished product, the basic things are precision, care and attention because this is what reaches our final customer: during my 8 years of working in this Group I have not only gained technical skills but I also **earned the trust of my colleagues** in the unit. I often happen to give training to new recruits and I try each time to share my skills with them because it is only good teamwork that brings quality results; what I try to teach them is that it's not only how much you make that counts but especially “**how you make it**”.



380 VOLT





GIUSEPPE MALANDRIN
45 YEARS OLD, WAREHOUSE WORKER
FINE CHEMICALS PLANT, LONIGO

A FREE HAND

I coordinate several activities in the warehouse, from receipt of goods to the preparation of products for the units: doing a good job means understanding and appreciating the contribution that each person can make within a wider process while still **respecting individual autonomy**. The “active ingredient” that inspires my work is making things the best way I know how. If we can appreciate the job that each one does in the unit, everything goes more smoothly and we all live our job almost as if **we were our own bosses**.





MICHELE RAPPO

33 YEARS OLD, LINE WORKER (PACKAGING OPERATIONS),
LIQUID PRODUCT UNIT
PHARMACEUTICAL PLANT, VICENZA

PUT A HAND TO THE FIRE

What motivates me every day is **the passion I feel for what I make** and nothing makes me feel as satisfied as when I see how great the vial looks on the drugstore counters. We make medicines and this makes me feel a lot of responsibility when I think that somehow **we contribute to the health of a lot of people**. The quality that I try to put into making the finished product makes me feel a part of the whole.







MARIAROSA D'ERRICO

33 YEARS OLD, BULK PREPARATION WORKER,
INJECTABLE PRODUCT UNIT
PHARMACEUTICAL PLANT, VICENZA

LEARNING BY DOING

I began my experience in Zambon 8 years ago as a temporary worker and did the rounds of almost all the work stations in the units and now here I am in a job with responsibilities. I was given the chance to grow and thanks to enthusiasm, the sense of responsibility and the independence that I put into the job together with my 5 colleagues in the freeze dry and vial preparation area, I can see that the quality of the final job depends a lot on us. **Doing a good job means first of all teamwork** because it is a game where everyone has a role to play – including our colleagues who work in the offices and prepare the documents we need. When all the dynamics fall into place the end result is perfect quality.



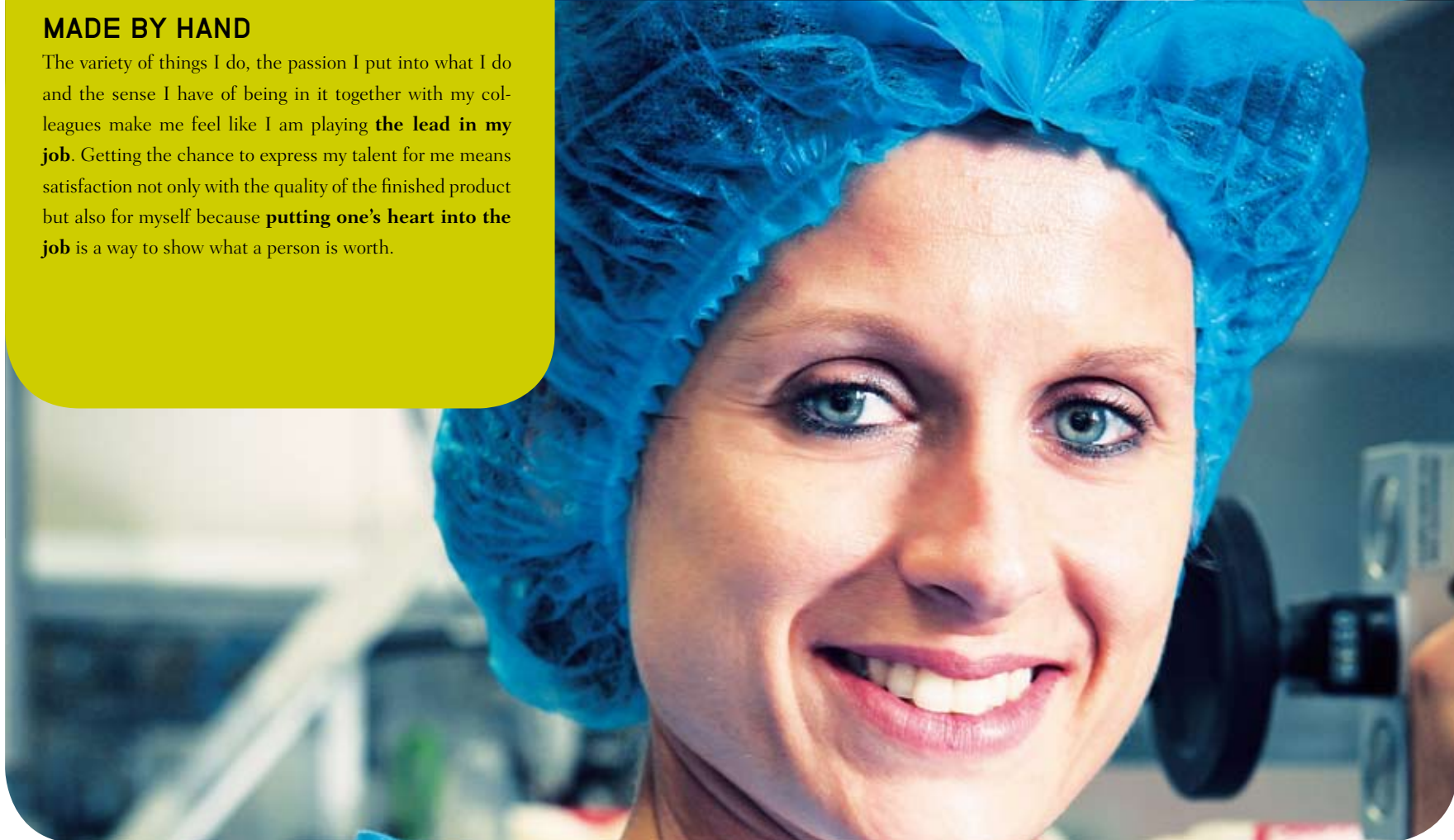




ANTONELLA POZZA
31 YEARS OLD, LINE WORKER (PACKAGING OPERATION),
SOLID PRODUCT UNIT
PHARMACEUTICAL PLANT, VICENZA

MADE BY HAND

The variety of things I do, the passion I put into what I do and the sense I have of being in it together with my colleagues make me feel like I am playing **the lead in my job**. Getting the chance to express my talent for me means satisfaction not only with the quality of the finished product but also for myself because **putting one's heart into the job** is a way to show what a person is worth.



THE PLACES WHERE WE MAKE CULTURE



Zambon Museum

"The Breath of Enterprise" 16 November 2010

Open Doors at the **Museum**

The Museum should be a place for inspiration, not only for those who work there and share that feeling of belonging, but also for the people who live it during events, workshops and the encounters of training days. The cultural strategies that we pursue as an enterprise are intended to break down "walls" between inside and outside: this is the reason why as Zambon we wished to join a sweeping initiative related to the activities of Museimpresa, the culture of enterprise week which through an exchange and dissemination of knowledge and experience contributes to the enrichment of an important chapter, that of the history of companies as the mirror of the culture and the social fabric of our country.

During the Culture of Enterprise Week promoted by Confindustria in collaboration with Museimpresa held during the month of November, Zambon participated by holding an event called "**The Breath of Enterprise**". The main theme of the event was Breath: visitors were able to live interactive experiences in breathing with the help of an expert in meditation and through a visit to the temporary "Breath in the Box" exhibit which with emotion showed the creative process of packaging the products of the Fluimucil family.

As part of an initiative promoted by Assolombarda and AIM called "The Workplaces between memory and future" intended to highlight thematic itineraries in the Milan area linked to the diffusion of the culture of enterprise, we opened our doors on 29 November to 180 visitors with whom we shared the history of our past 104 years of enterprise together with some important reflections on the future. This year the Historic Zambon Archive project got under way. It is connected to the Museum and grew out of the idea of bringing back to life the history and values of our enterprise through the collection, reorganisation, conservation and promotion of the vast archival heritage of the enterprise. A heritage of ideas, experience and testimony that contributes in this way to the formation and enhancement of an industrial type of culture and economy of enterprise, but especially to a culture of ethics.





OUR TERRITORIAL IDENTITY: OPEN ZONE

OPEN ZONE
is the concrete
embodiment
of a place for
the exchange
of knowledge,
research and
innovation, but it is
also the place for
informal encounters

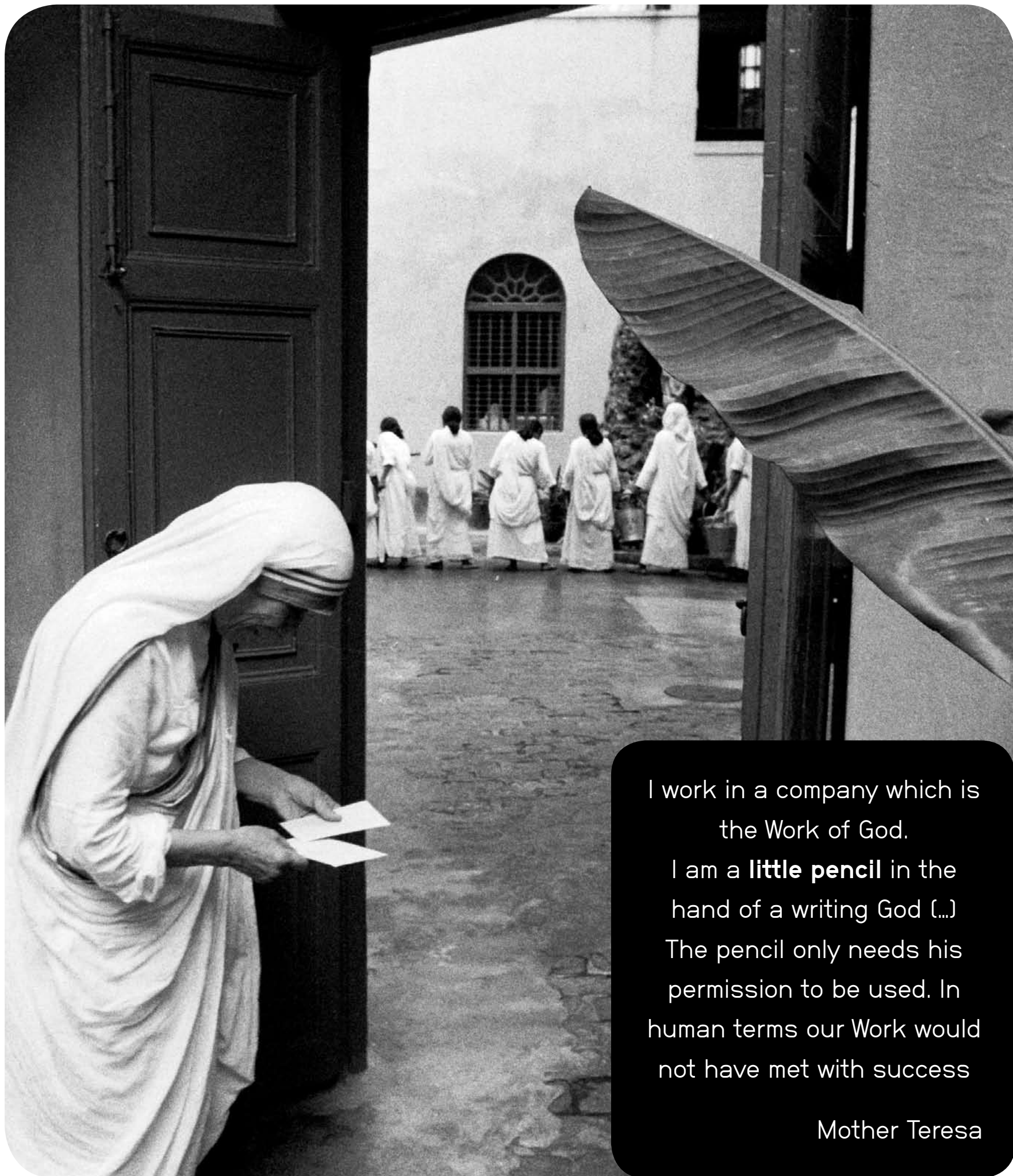
Open Zone includes the property owned by the group in the Bresso area on the periphery of Milan where Zambon has its headquarters. Open Zone transforms the space into a meeting place not only for the people who work in the area gather but where residents in the area may pass through and this also ensures greater vitality in the neighbourhood around a competitive business pole. We can therefore think of it as a pole of excellence where “science oxygen business”. Thanks to Open Zone, Zambon promotes the development of an integrated and evolved system of facilities that through contemporary architectonic and innovative solutions will fit into the area as an element of urban requalification and as a motor of the “pole of excellence”.

The resulting scheme is a harmonious distribution of spaces of over approximately 42,000 square metres embracing residential, management and production areas that open onto a Breath Park, a green area of about 5 hectares which will be strong connotated by notes of science and innovation. The new place to meet for lunch for those working inside the area was completed in the park this year based on the project by the Vittorio Grassi studio and features new criteria in lighting and integration with the environment.

The “OZ Campus”, Open Zone, will become a recognisable and memorable context, a functional place, organised and user-friendly for both working and living. It will be the transformation of a building alive with initiatives, events and activities, including recreational activities, into a lucid, comprehensible, entrepreneurial vision. Further development is also being considered for the area because the vicinity of the north park will provide scenarios where we shall again be able to enjoy looking upon a natural setting at the periphery of Milan, a pleasure one seldom finds in the city.

The new lunch's meeting place





I work in a company which is
the Work of God.

I am a **little pencil** in the
hand of a writing God (...)
The pencil only needs his
permission to be used. In
human terms our Work would
not have met with success

Mother Teresa

THE MAKING OF SOCIAL RESPONSIBILITY

Disseminating information on the field of health and wellbeing by valorising a correct Communication through training and information activities



2010 for the Fondazione Zoé was the second year of operational activities and to continue along the pathway to growth in the Vicenza area, it chose **Vivere sani, Vivere bene** as its key event, an initiative dedicated to improvement in the quality of life and dialogue among the various disciplines embracing both science and the humanities. In 2009 the event focused on healthcare and lifestyles and in 2010 explored the fascinating theme of **BREATH**, where breath was analysed in 10 different areas: from breath in medicine to breath in photography and the cinema, from breath in singing to breath in literature and the theatre for children, from breath in science and biodance to breath in contemporary art. More than 6 thousand visitors viewed the contemporary art exhibition "Respiro (Breath)" staged in four different locations in the city with an itinerary of billboards from the Zambon collection, video projections and audio installations and included the works of such international artists as Rauschenberg, Arienti, Masbedo, Mullican and Navridis in the show. Zoé also renewed its commitment to Education

thanks to the fruitful collaboration with schools and with the Education and Cultural Department of the Municipality of Vicenza. The spotlights of the Teatro Nuovo were trained on Umberto Pelizzari this year, the world record man for freediving who spoke to about one thousand young people from the middle schools and high schools in the Vicenza area enthralled both students and teachers alike with his personal account of his feats and his pictures.

In the medical scientific program which this year focuses on children's allergies, Zoé established a **"Health Communication Award"** open to those who have improved, facilitated or made innovations in ways of communication in the health world. The first edition of the prize went to Professor Roberto Burgio, the dean of Italian paediatricians recognised *"for his ability to continually direct and promote sensitive health communications adapted to children giving a more human face to the science of paediatrics"*.



"Vivere sani, Vivere bene" (October 2010)

The intention is to provide a time for reflection and relaxation closely related to the themes of health and wellbeing. A close-knit network of local collaborations has therefore developed and gathered around the Foundation with a variety of different experiences and very high added value. Its stimulus comes from the local groups that share in the project without imposition from above. It was through cooperation with one of the groups, the Schola San Rocco, that Zoé was able to satisfy its desire for originality by organising a concert called "The vibration of the spirit" which involved 350 unsuspecting spectators in a choral performance which put their ability to control and manage breath to the test. Zoé struck a chord with music lovers and in particular, with opera lovers, since in addition to the "Vivere sani Vivere bene" events, in May in the

splendid setting of the Teatro Olimpico of Vicenza and in collaboration with the orchestra of the same name, it organised two evenings of "La Serva Padrona", the comic opera by G.B. Pergolesi. The performance dedicated to the memory of Alberto Zambon was sold out.

The activities of the Foundation in 2010 reached beyond dissemination to explore teaching and research as well. With its mixed and creative scientific committee, Zoé took up the stimulating ideas found in the book *"The Communication of Health. A Manual"*, published at the end of 2009 and organised conferences, debates and seminars in many Italian universities such as the Universities of Pavia and Padua and the National Institute of Bioethics in Genoa. One of the results of these important organisational and promotional efforts at the end of 2010 was that the manual on health communication was adopted as the textbook for about ten university degree courses. At the same time, due to the interest aroused, Zoé reprinted the first chapter of the book on "Ethics and Anthropology" and in collaboration with Zambon Italia distributed it to more than 10 thousand physicians, both generalists and specialists, in Italy.

Zoé thus takes its inspiration from the philosophy of enterprise which has directed the work of the group for one hundred years and represents the concrete commitment of the Zambon family to transform its values into facts. With an eye to the internal corporate community, the Foundation could not fail to throw itself into another important project established for the former collaborators of the group who are retired and responsive to Third Sector stimuli. That is how the "operating arm of Zoé" came to be launched and which led to the creation of Volunteer Teams, a lean and dynamic structure which now numbers about twenty volunteers. The project grew out of the desire to promote a culture of awareness-raising with regard to volunteer work together with the wish to involve our colleagues even after the conclusion of their professional life in order to give continuity to the community of enterprise. The collaborators give freely of their own time and enthusiasm and actively collaborate in Zoé Foundation initiatives and quite often making suggestions of their own on new sectors to be addressed.

A transparent policy of Governance

Our approach in 2010 did not change from what we had earlier announced. The cornerstones of transparency, control, long term vision and the distinction between management and ownership not only did not weaken but, indeed, became stronger as they were able to count upon the cultural and procedural foundations consolidated within the Group.

Our Governance is based on fundamental choices which take into account business structure in the broad sense and, in particular, contents and range of action and the distinct roles of shareholders, management, control bodies and legal aspects. In this framework the respective operational rules are laid down to guarantee that the Group will endure through time regardless of the actors of the moment. The code of ethics remains the common denominator determining the principles through which we develop the activities of the Group. All operations must be coordinated and integrated to form a solid and long-lasting whole. This design for governance has brought about distinct and independent business poles reporting to the Zambon Company shareholder and they in turn lead to many legally autonomous companies managed nevertheless in accordance with shared rules and goals. Each legal entity is structured to meet its local obligations while controls are coordinated from the centre. We set general rules for the administration of an enterprise and for that purpose, we participate in institutional affairs both centrally and locally. We maintain systematic control over the operations of the main corporate bodies and we carry out direct periodic checks to verify that the basic rules set to protect the uniform operation of the Group are actually applied and in effect. We cite, for example, the application of uniform criteria that determine the composition of the corporate bodies and the assignment of operational proxies, both from the centre out to local entities and to entities in the country itself, relationships with local supervisory bodies, coordination with central technical offices in charge of regulatory matters and of matters concerning the environment and safety in the workplace, the establishment of offices and organisations for the protection of corporate continuity and the scheduling and performance of direct Internal Audit inspections. The system is constantly fine-tuned to be in line with organisational and regulatory changes and is always open to improvement. For this reason we set up more meetings with outside bodies to discuss current issues in the sector. The active and growing participation of governance is a sign that we have evolved to a level which could even be taken as an example for other bodies late in perceiving the value of a system of integrated governance where substantive approaches prevail. The know-how that we have developed internally has enabled us, among other things, to intervene in the re-edition of organisational models pursuant to Legislative Decree no. 231/2001 with beneficial effects in terms of the awareness in the matter on the part of our structures which in the past had been used to interfacing with external consultants who obviously know little about the specific mechanisms of how our Group works. This choice of much working with internal interlocutors has fostered a more integrated involvement on the part of those who work directly in our business.

DIAMO VOCE
alla NOSTRA
SALUTE

La nostra missione è
diffondere il sapere nel campo
della Salute e del Benessere
valorizzando una corretta
comunicazione con attività
di formazione e informazione

Fondazione

ZOE

Zambon Open Education

pubblicazioni

eventi

web community

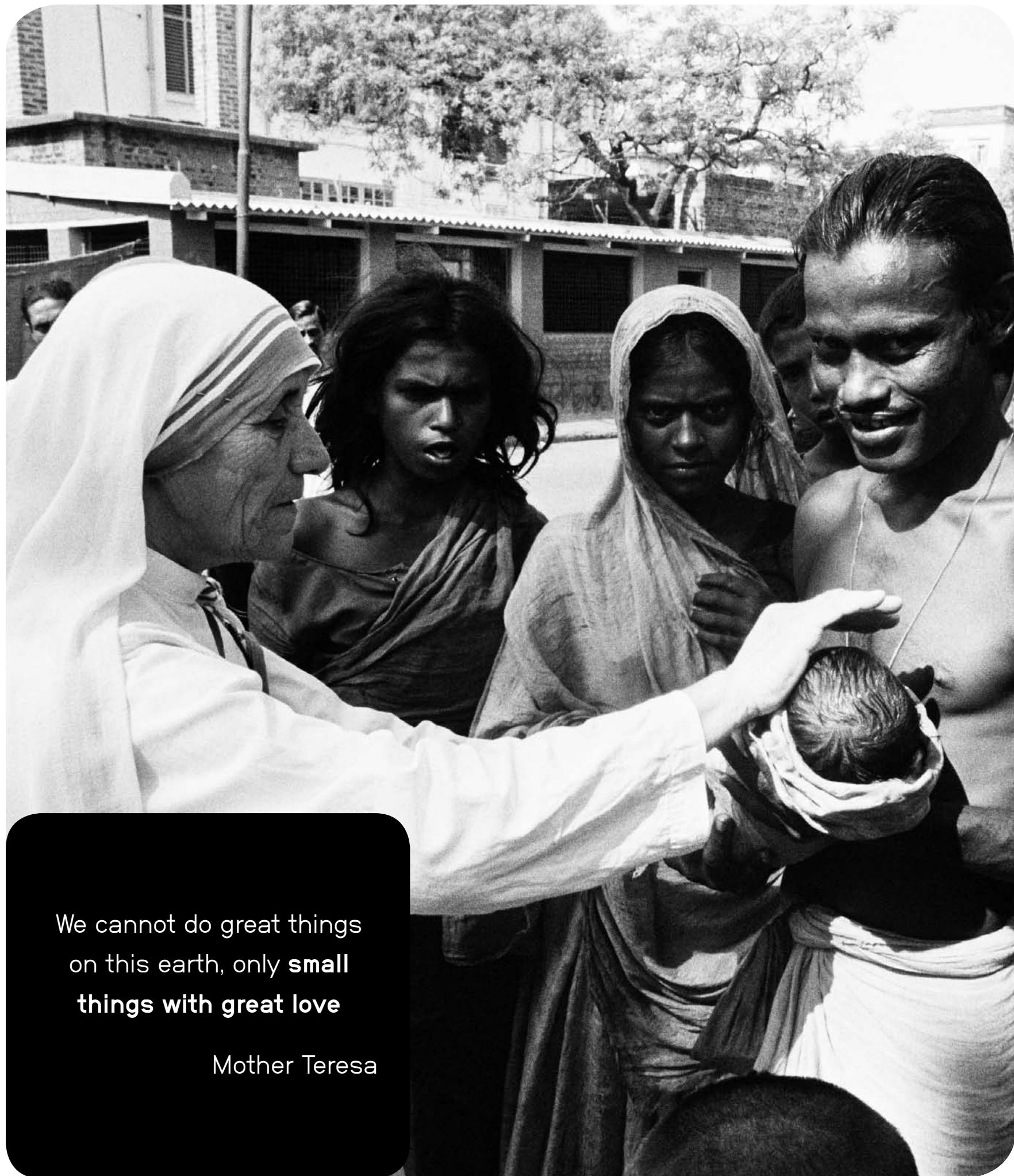
formazione

volontariato

comunicazione
della salute

ricerca

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We cannot do great things
on this earth, only **small**
things with great love

Mother Teresa

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The Consolidated Financial Statements of the Group are posted on our website at www.zambongroup.com