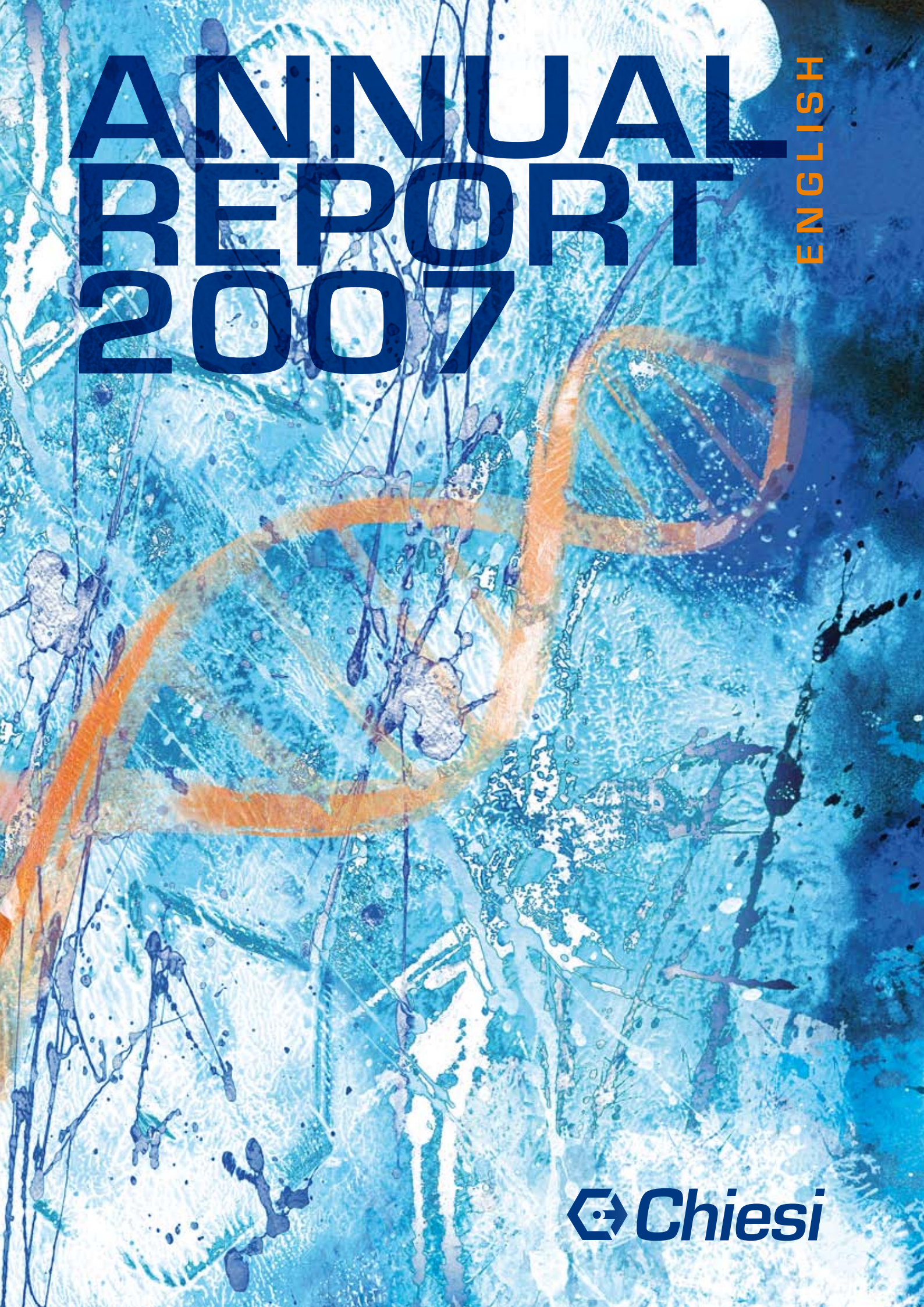
ANNUAL REPORT 2007

ENGLISH



Chiesi

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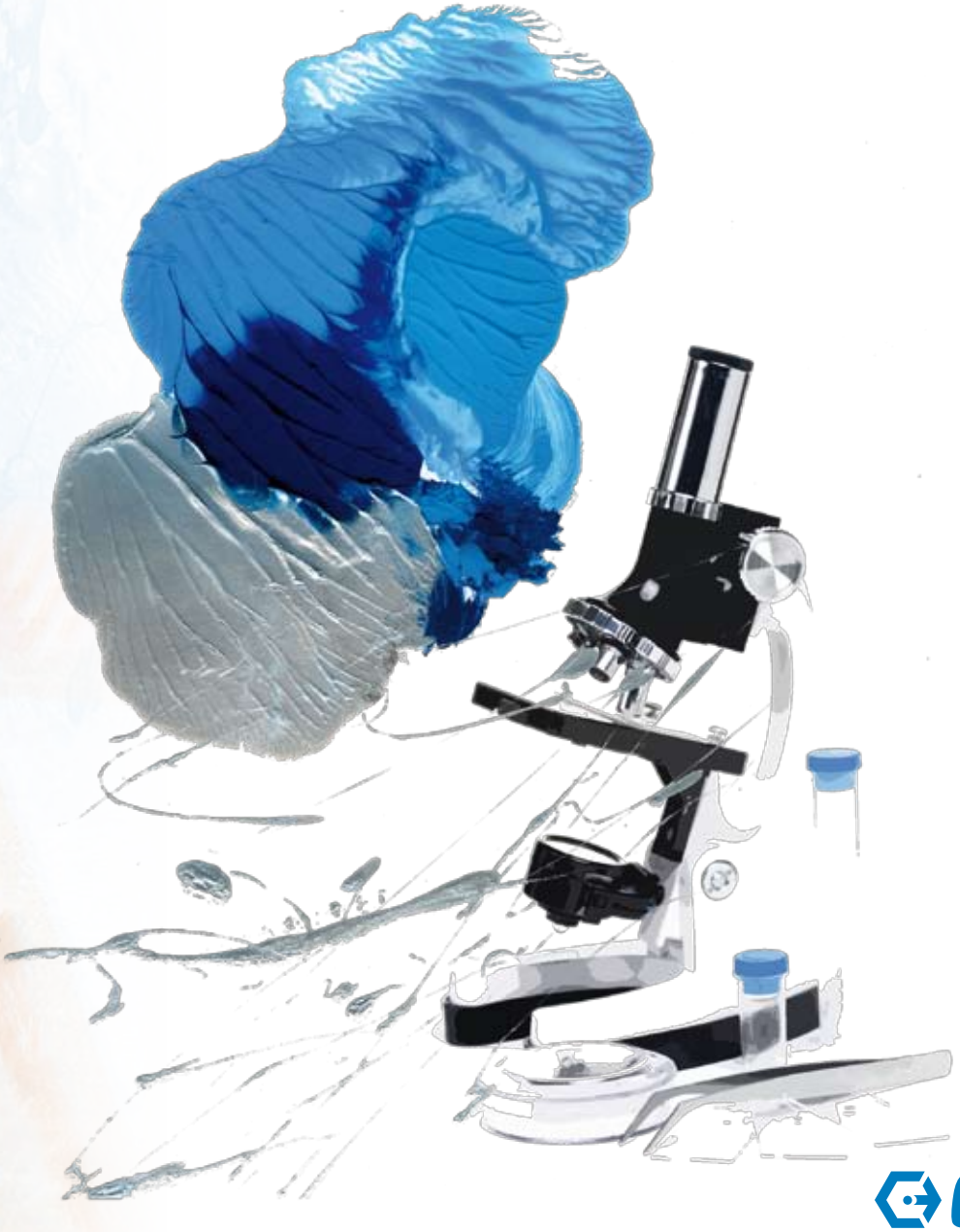
OUR MISSION

Our aim is to be recognised as a research-focused international Group, developing and bringing added-value innovative pharmaceutical solutions to relieve and improve the quality of human life.

We want to maintain a high quality entrepreneurial team characterised by self confidence and a collaborative spirit.

Our goal is to combine commitment to results with integrity, operating in a socially and environmentally responsible manner.



Chiesi

MESSAGE FROM THE CHAIRMEN

In 2007, the pharmaceutical scenario once again evolved in line with previous years: difficulties in the development of innovative drugs, especially for chronic illnesses; a dramatic increase in the sales of generics, as a result of patent expiries for a number of important products; a decrease in the number of new chemical and biological formulations reaching the market; pressure from health authorities to reduce the cost of pharmaceutical treatments.

Despite this situation, our Group has continued to succeed, achieving higher growth rate than that of the markets in which it operates, thanks to the success of its own products for respiratory and cardiovascular diseases and the treatment of rare diseases.

The number of our direct affiliates has also grown, and we have now almost achieved complete coverage throughout the European Union.

Sales of our new drugs for the treatment of asthma, the beclometasone-formoterol combination in an ecofriendly, metered-dose aerosol formulation (Foster, Innovair) have begun in several European markets, including Germany and Italy, and have been met with considerable interest among medical practitioners.

For those territories in which we are present, the products developed as a result of our internal R&D activities are becoming increasingly prominent in our affiliates' portfolios, and this has further established respect for the image and reputation of our Group.

Modulite technology, which is the basis of all our product formulations in metered-dose aerosols, is also proving to be a key device for innovation, and has recently received significant recognition for its originality in Europe.

Our Research and Development activities have also continued to evolve, in the quest for consistently better organisational efficiency and technological efficacy: a radical, broad-scale project has been undertaken to change the development processes in various research projects, in order to ensure their completion by pre-set deadlines.

Technological investments in production activities are also progressing alongside the development of more complex and up-to-date pharmaceutical formulations.

Work to build a new Research and Development Centre in Parma will begin by the end of the year, which will enable us to combine both internal activities and collaborative projects with external scientific organisations in newly equipped premises on a single site.

2007 RESULTS

Consolidated sales reached Euro 656 million, an increase of 10.6% on the previous year, indicating a growth rate significantly higher than that recorded on the European market.

Revenues in 2007 were positively impacted by the growth of our products and an increased number of affiliates, in spite of continuing pressure for price reductions in several countries.

Excellent results were achieved in Italy, Germany, the UK, Austria and the Central Eastern European Countries, Greece, Brazil, Pakistan and in some export markets. Our new affiliates in Turkey and the Netherlands also began their commercial operations.

International sales reached Euro 387.6 million, with a growth rate of 11.8%, and represent 59.1% of total sales.

Turnover from our internally developed Corporate products increased by 25% as a result of the launch of our new combination for the treatment of asthma (Foster, Innovair) in four European countries, the continued development of manidipine in the antihypertensive area and the growth of Curosurf and other drugs for the treatment of respiratory diseases.

Curosurf has exceeded 50% market share at the worldwide level, and is now the most widely used surfactant in

neonatology. Expenditure in Research and Development increased more than 20% to stand at Euro 92.6 million, representing 14.1% of consolidated sales.

R&D activities focussed on completing the operations needed to establish Foster on all European markets and to develop new indications and ways of administering the product.

Earnings before interest, tax, depreciation and amortization (EBITDA) for 2007 were in excess of Euro 103 million, increasing to 15.7% of sales, and up by 13.3% on the previous year, whilst earnings before interest and taxes (EBIT), totalled Euro 71 million, an increase of 15.9%.

Net income totalled Euro 41.8 million, up by 43.7 % on 2006.

In 2007, investments totalling Euro 24 million were made both in the production and research areas. The most significant of these include expansion of the production capacity for metered-dose aerosols in Italy and Brazil, and improvements made in logistics and packaging in France.

Group's headcount at the end of 2007 totalled 2,956 workers (2,795 at the end of 2006), and this growth was mainly due to the increase in sales forces in the UK, Spain, the Eastern European countries, Germany, the new affiliates in the Netherlands and Turkey, as well as increased production in Italy.

OBJECTIVES FOR 2008

In 2008, we have planned for significant growth, which will be driven by increased sales of Foster in a number of European countries; increased sales are also expected for our other Corporate products: Clenil, Curosurf, Bramitob and Clipper.

Our German affiliate Asche Chiesi has acquired direct sales of Curosurf in its territory since January this year; plans have also been made for a similar operation in China which should take place this summer, when a new Group affiliate will be opened in this enormous market.

We are currently studying further opportunities for geographical expansion in a small number of expanding markets, in order to ensure optimum development of our new Corporate products.

Our commitment to research will be intensified, with the aim of providing a sufficient number of new products in our pipeline, both in the respiratory and special care and orphan drug areas.

We will be working even harder on collaborations with other pharmaceutical companies and research centres to increase the number of R&D projects.

The objectives which we have set ourselves can only be reached with the help, determination and skill of our employees, and the professionalism and dedication of our collaborators. Our heartfelt thanks to all of you.

Alberto Chiesi
President and Chief Executive Officer

Paolo Chiesi
Vice President and R&D Director

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS (Value in Eur/000)

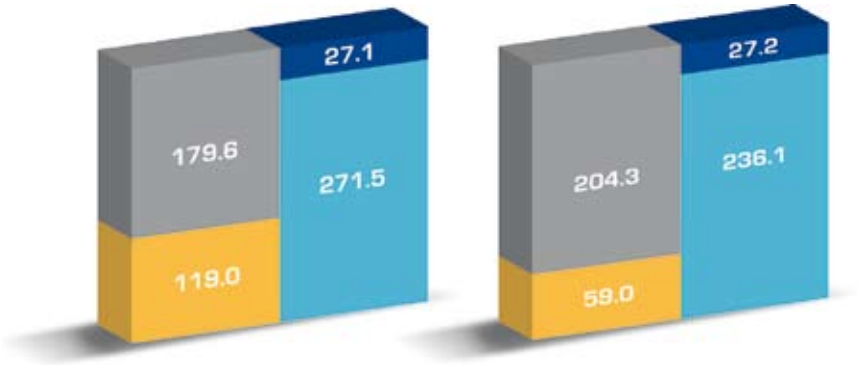
OPERATING RESULTS	2007	2006
SALES & REVENUES	**656,013**	593,235
Growth	***10.6%***	*5.1%*
EBITDA	**103,313**	91,205
% on sales and revenues	***15.7%***	*15.4%*
EBIT	**70,986**	61,232
% on sales and revenues	***10.8%***	*10.3%*
NET INCOME	**41,788**	29,086
% on sales and revenues	***6.4%***	*4.9%*

OTHER INFORMATIONS	2007	2006
R&D	**92,589**	76,916
% on sales and revenues	***14.1%***	*13.0%*
Capital Expenditures	**24,037**	24,797
of which R&D Investments	***4,637***	*7,819*
Number of employees	**2,956**	2,795

CAPITAL EMPLOYED

- Net Invested Capital
- Net financial position
- Reserve termination & severance indemnity
- Shareholders' Equity (*)

(*) net of owned Shares



RATIOS	2007	2006
ROE (Net Income/Shareholders' Equity)	**15.4%**	12.3%
ROCE (EBIT/Capital employed)	**39.5%**	30.0%

CHIESI 2007

- RESEARCH & DEVELOPMENT
- INDUSTRIAL OPERATIONS
- THERAPEUTIC AREAS
- MAIN PRODUCTS
- HUMAN RESOURCES
- INFORMATION & COMMUNICATION TECHNOLOGY

Research & Development

Chiesi continues to be strongly committed to Research & Development, as demonstrated by last year's total spending on R&D, which increased from Euro 76.9 million in 2006 to Euro 92.6 million in 2007 (14.1% of total revenues).

In 2007, the registration procedure for the new ICS/LABA combination Foster in Europe was completed, enabling its launch in 28 countries.

The pre-clinical and clinical research pipeline continues to focus on respiratory and special care (neonatology & cystic fibrosis).

In preparation for the planned future growth, R&D has also launched a project aimed at making Chiesi development procedures simpler, more integrated, more cost-effective, and better supported by technology.

Preclinical research

A partnership network with academia and external providers enables Chiesi to maintain a steady flow of projects in the preclinical pipeline. The number of preclinical projects totalled 7 last year.

One new compound in the M3 muscarinic receptor antagonist class - CHF 5407 - passed the pre-clinical gate and moved into early clinical development.

A powerful anti-inflammatory agent in the PDE4 class, potentially indicated for the treatment of asthma and COPD, is on its way to becoming a clinical candidate.

The team working on the project for the new synthetic surfactant agent - CHF 5633 - has selected the formulation for pre-clinical development.

Other respiratory projects are focused on overcoming inhaled corticosteroid resistance and addressing the potential delivery of a bi-functional molecule possessing both M3 antagonist and β2-agonist activity. Finally, CHF 5074 (a γ-secretase inhibitor) has now begun testing in animal models for Alzheimer's disease and demonstrated a potential effect on the generation of β-amyloid plaques.

CHIESI 2007

Research & Development

Clinical research

In the Special Care Therapeutic Area, several clinical studies on Curosurf (poractant alpha) - the world leader in the treatment of respiratory distress syndrome in premature neonates - progressed or completed the patient enrolment phase last year. They include:

1	"Use of Curosurf in Adult Respiratory Distress Syndrome (Balcapulco Study)"
2	"Single dose Curosurf in the pre-extubation of pre-term neonates (Pre- Extubation)"
3	"Preventive use of Curosurf with Early Continuous Positive Airway Pressure (CURPAP Study)"

A new compound has been introduced in the neonatology pipeline: caffeine citrate. Following the completion of its Common Technical Document in 2007, the product is to be submitted to the Regulatory Central Procedure for registration in Europe within the second quarter of 2008. Caffeine citrate is indicated for the treatment of primary apnea in the premature neonate.

The clinical programme for registration of the product Bramitob - nebulised tobramycin - for the treatment of cystic fibrosis patients with *Pseudomonas aeruginosa* infection continues in Europe and in the USA

Results from previous investigations have been published in Paediatric Drugs. [1]

The drug development results for the antihypertensive compounds delapril, manidipine and their combination were consolidated and reported during 2007, generating important publications. [2]

The registration process for Foster - the new ICS/LABA combination formulated with the proprietary technology Modulite - has been completed in a total of 28 countries and is now being launched across Europe. Furthermore, several new clinical studies have been launched to complete the Foster profile with new dosage strengths, new formulation and new indications. The regulatory extension programme includes:

1	Treatment of COPD
2	Treatment of asthma in adolescents
3	High strength Foster (beclometasone dipropionate 200µg+ formoterol fumarate 6µg pMDI)
4	Foster Paediatric Investigational Programme
5	A new formulation: Foster inhalation powder delivered through a new multi-dose breath-actuated device (Next DPI)

The new dry powder inhaler (Next DPI) has been developed in order to provide physicians and patients with an alternative delivery system, which should help patients improve their compliance thanks to the breath actuation concept. This avoids the incomplete availability of the drug to the lungs that can occur in patients with poor co-ordination.

The clinical development of the new β2-agonist CHF 4226 as a single agent continues both in Europe and in the USA for the COPD indication. CHF 4226 is also be-

Note

1. "A formulation of aerosolized tobramycin (Bramitob) for the treatment of patients with cystic fibrosis and *pseudomonas aeruginosa* infection. A double blind, placebo-controlled, multi-centre study";
"Efficacy, safety and local pharmacokinetic of highly concentrated nebulised tobramycin in patients with cystic fibrosis colonised with *pseudomonas aeruginosa*".
2. "Efficacy of Manidipine/Delapril Versus Losartan/HCTZ Fixed Combinations in Patients with Hypertension and Diabetes" accepted by Journal of Hypertension. The paper describes the results of the MORE study;
"Antihypertensive Efficacy and Safety of Manidipine versus Amlodipine in Elderly Subjects with Isolated Systolic Hypertension" reporting the MAISH Study results.

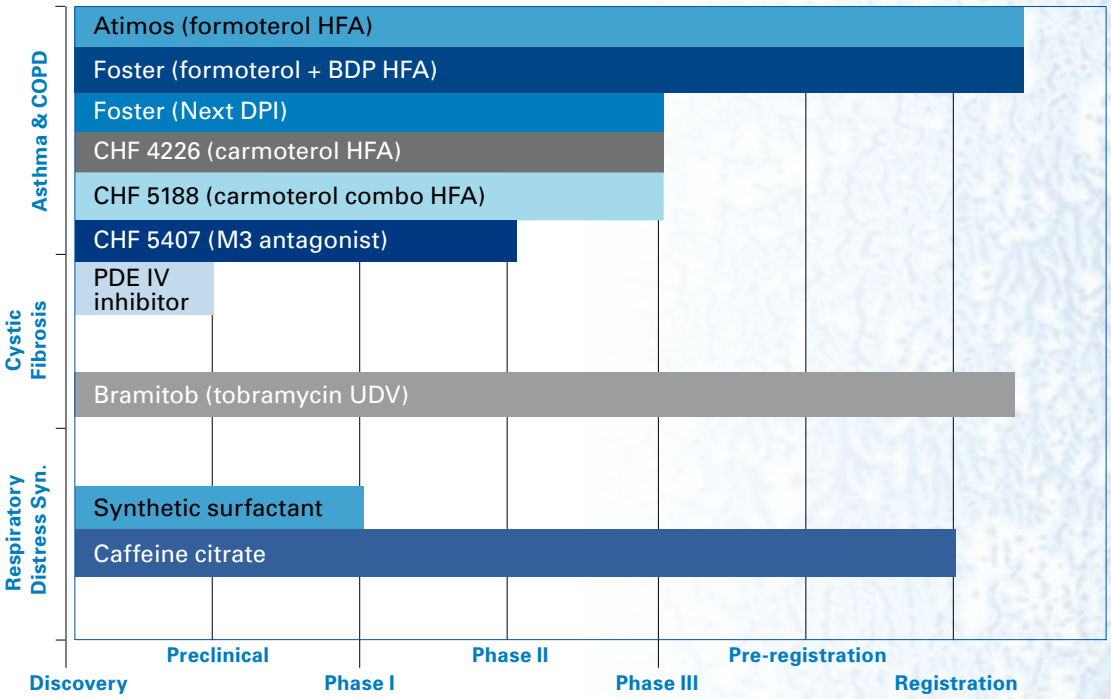
ing developed in fixed combination with budesonide (CHF 5188) for the asthma indication.

In 2007, CHF 5407, an M3 muscarinic antagonist, has initiated clinical development having progressed into the *First in Man* study. This compound is being developed both as a single agent and in combination with compounds of other classes for the treatment of COPD.

From a regulatory point of view, two major Mutual Recognition Processes were completed for Atimos (formoterol pMDI) and Foster (formoterol fumarate + beclometasone dipropionate pMDI). The registration of these two products is now proceeding in a number of non-EU countries including China. The registration programme for China also includes Budiair (budesonide pMDI) and Clenil (beclometasone dipropionate sterile suspension for aerosol therapy/nebulisation).

R&D Pipeline

Respiratory pipeline



Source: Internal Data

Chiesi Pipeline - Other projects					
Project	**Brand**	**Active / Action**	**Indication**	**Regulatory status**	**Partnership**
CHF 1521	Vivace	Manidipine + delapril	Hypertension	MRP completed (selected EU countries)	In-licensed from Takeda
CHF 4227		SERM	Osteoporosis Breast cancer Postmenop. synd.	Phase I completed	Available for licensing
CHF 5074		γ–secretase modulators	Alzheimer's Disease	Pre-clinical	Available for licensing
CHF 3381		NMDA + MAO-B inhibitor	Neuropathic Pain	Phase II	Vernalis
CHF 1512		Melevodopa + carbidopa	Parkinson's Disease	Phase III	Vernalis (except Italy)
CHF 1514	Clipper	Beclomethasone dipropionate	Ulcerative colitis	Registered in selected EU countries. Launched in Italy UK & Spain	Eurand (USA)

Industrial Operations

The Chiesi Group's production plants are located in three different sites: the Officine Farmaceutiche di Parma (Italy), with 400 staff members, split into the San Leonardo and the via Palermo sites, the Blois-La Chaussée plant in Saint Victor (France), with more than 50 employees, and the Santana de Parnaiba plant (Brazil), with 100 workers.

Parma

The Parma plant is an international supply centre and exports products to over 60 countries. The San Leonardo plant site operates in accordance with the ISO 9001:2000 Certified Quality Management System and has successfully passed a number of inspections carried out by regulatory authorities from many countries, including the US Food and Drug Administration, the Canadian Therapeutic Products Program and the Agenzia Italiana del Farmaco (Italian drug Agency).

The international Good Manufacturing Practice standards, successfully adopted by Chiesi, feature the very latest technologies involving a high degree of automation and product segregation, whilst also guaranteeing maximum levels of safety for employees and respect for the environment.

The careful management of our partnerships with suppliers, who are required to ensure a high standard of service, safety and quality in the Company, requires an excellent level of service in the supply of products to our affiliates and clients. Annual production at the Parma plant totals around 40 million finished packages.

The San Leonardo production plant site manufactures solid formulations: tablets and powders for DPI (Dry

Industrial Operations

Powder Inhalers), solutions and suspensions for pressurised MDIs (Metered Dose Inhalers) with eco-friendly propellants (hydrofluoroalkane), or alternatively those packaged in sterile unit-dose vials using "Blow Fill Seal" technology for nebulized inhalant therapy (UDV).

The production laboratories in Via Palermo prepare vials of sterile suspensions designed for endotracheal administration (Curosurf), liquid formulations, such as drops and liquids, and nasal sprays.

The current capacity for three-shift production of unit-dose vials (UDV) stands at over 200 million units per year. MDI production capacity, also operating on three shifts, currently manufactures 15 million aerosol containers and is about to be doubled. The process will be completed by the end of September 2008.

The new production department for the Curosurf sterile suspension has been approved by both European health authorities and the FDA, following a thorough inspection procedure. As a result of investments made to expand the output of plants supplying this active ingredient, production capacity has now reached over 350,000 vials.

By the end of 2008, an automated MDI assembly and packaging line will also become operative. The filling, assembly and packaging lines for the new DPI will also be completed by the end of this year, alongside the extensions made to the office and laboratory premises.

Production and back-up processes (cleaning in place, sterilizing in place) are managed and monitored by means of fully-validated computerised systems. In addition, a new kind of IT framework similar to the Manufacturing Execution System (MES) is being created, in order to further increase automation levels, and a new computerised dispensing system, based on a similar set-up, is already operative. The automation process will continue in 2008 with the arrival of the so-called *electronic batch record system*.

Blois

Manufacturing capacity at the Blois plant stands at around 5 million finished packages a year. The French production laboratories specialise in blister packaging for capsules and tablets. In 2006, the investments required to enable the Blois site to distribute directly to clients in the French and export markets were finalised, as well as those providing backup for the final stages of the MDI assembly and production processes; refrigerated storage space has been built for these products.

As of 2008, Blois is therefore a fully-fledged Corporate site working alongside the Parma plant as a supplier of the Group's new products (such as MDI formulations) for affiliates and partners alike.

Santana de Parnaiba

Annual production at the Santana de Parnaiba plant totals around 6 million finished packages. The production

lines at the plant manufacture solid formulations (tablets) and pressurised solutions and suspensions for inhalant therapy (MDI). Considerable investment has also been made in Brazil to install a new line for MDI production, not only with conventional CFC propellants (which are currently being phased out), but also those using the new HFA alternative. Following the AIFA inspection, which was passed successfully, the new line has been submitted for approval to supply the European market. The Santana plant is therefore also about to begin supplying Corporate products to the Group's various markets.

Technological support

The Corporate Manufacturing Technology department supports Research & Development as the scale of production of new products increases, in the transfer of production from a plant to another, either within or outside the Group, or when a partner decides to manufacture by itself, using technology which has been Chiesi patented.

Therapeutic Areas

Respiratory diseases

The cure of pulmonary disease is the vocation of the Group, and is the basis for our technological platforms created for the pulmonary delivery of active ingredients.

Asthma is an almost well treated pathology for which unmet medical needs are nowadays limited. Nevertheless, patient adherence to treatment is still poor and this of course limits its efficacy.

Thanks to the innovative Modulite technological platform, Chiesi has developed a new pressurised metered dose inhaler that combines ease of use for patients together with efficiency of the delivery. In addition, the Modulite spray reassures the doctor that the drug will be delivered throughout the entire bronchial tree with an optimal distribution between centre and periphery.

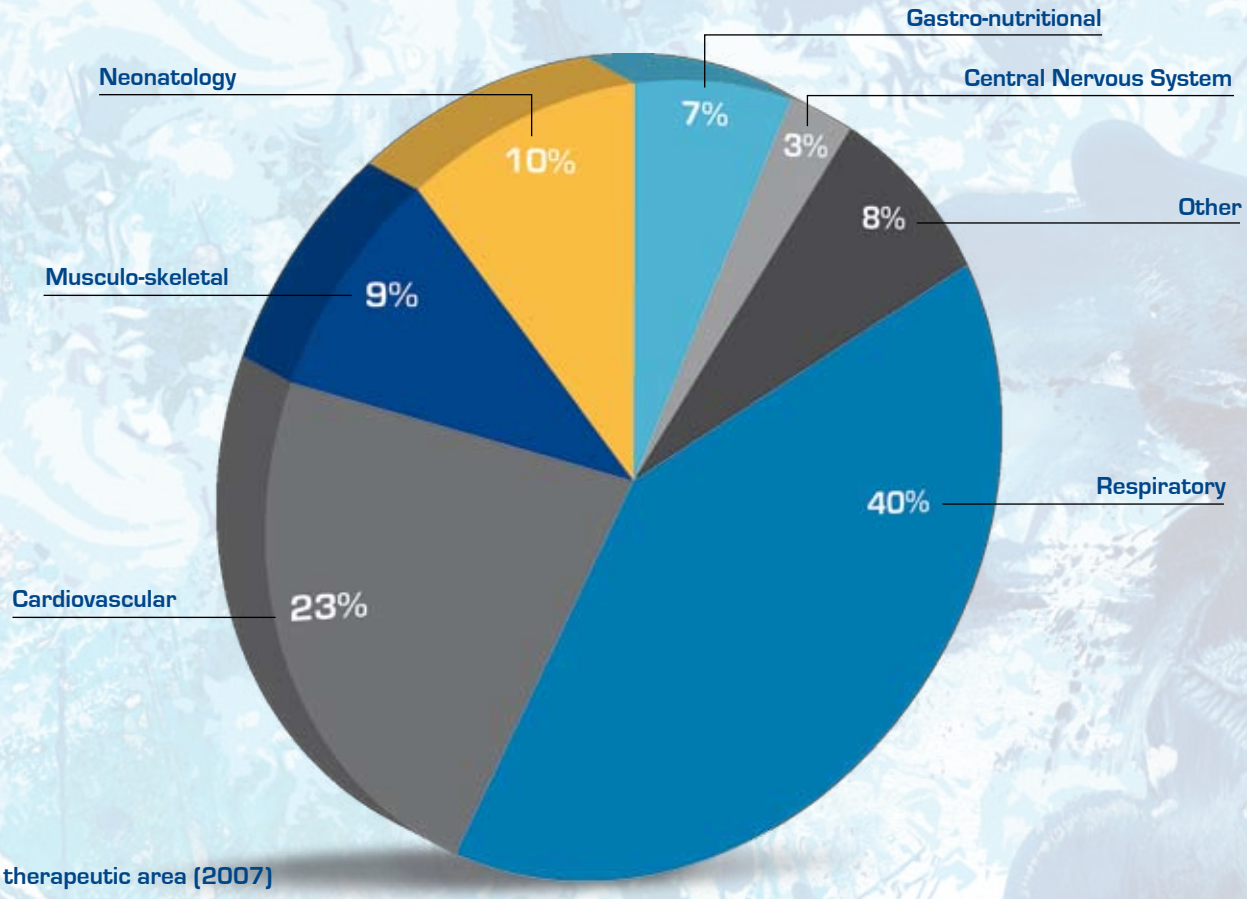
Our main achievement in 2007 was the start of the pan-European launch of Foster, a new combination of a bronchodilator with a steroid in an extra-fine formulation based on the Modulite technology. With this product, the Group is aiming to rank amongst the most important companies in this competitive arena.

Coupled with the desire to improve the treatment of asthma our efforts are aimed at finding new effective treatments for COPD, where medical needs are still very high. The vast majority of our pipeline is represented by projects that aim to offer significant progress in the cure of this disease, which is expected to become the third leading cause of death in 2020 according to the World Health Organization.

Special care

The Group is also greatly concerned about the treatment and care of patients affected by rare and life-threatening illnesses. We are concentrating our efforts in this sector that we consider strategic for our future and of high social impact. In particular, Chiesi has developed its expertise in understanding the medical needs of premature babies. Together with the group's historical commitment to the treatment of neonatal Respiratory Distress Syndrome, where Chiesi has established Curosurf as the worldwide gold standard for this life-threatening disease, the Company is focusing its efforts on providing care for other neonate respiratory diseases, such as apnea and bronchopulmonary dysplasia.

In addition, we are working on new therapeutic options for the treatment by the medical community of a rare but dramatic disease such as Cystic Fibrosis, by combining our knowledge of respiratory pathophysiology and our expertise in drug formulation. In 2007, we launched Bramitob for the treatment of *Pseudomonas aeruginosa* infections in Cystic Fibrosis patients and began working closely with doctor and patient associations to improve the management of these delicate patients.



Sales by therapeutic area (2007)

CHIESI 2007

Main Products

FOSTER
Beclometasone+Formoterol

Foster is the fixed dose combination of beclometasone dipropionate (an inhaled corticosteroid) and formoterol fumarate (a rapid, long-acting inhaled β2-agonist). It is an HFA extra-fine solution formulation, delivered via a pressurised metered dose inhaler (pMDI). The combination is formulated using Modulite technology, adopts an HFA propellant, and is characterised by a simple, flexible dose regime: one or two puffs twice daily.

Foster's unique feature is its extra-fine formulation, which guarantees high lung deposition and uniform drug distribution throughout the bronchial tree. The rationale behind the development of such a formulation with small particle size for both components relies on evidence that inflammation affects all parts of the airways in asthma, including the periphery. Therefore, the ideal drug delivery has to be targeted to central and peripheral airways.

Clinical studies have demonstrated Foster to be effective in improving lung function, clinical symptoms and asthma exacerbation in patients with moderate to severe asthma. In all studies, Foster showed a favourable safety profile in terms of adverse events and effects on cortisol plasma levels.

Foster was launched in Germany in October 2006, by which time it had already been approved in fifteen European countries. A second wave Mutual recognition procedure was achieved in the first quarter 2008. To date, Foster is marketed in Italy, France, United Kingdom, the Netherlands, Slovenia, Slovakia Hungary and Spain. More launches in other European countries are planned for 2008.

Research into additional indications, such as COPD, and therapeutic use in adolescent and paediatric populations is currently ongoing.

Clenil

Clenil (beclometasone dipropionate) represents one of the historical Chiesi trademarks and a well-established product, since its first launch in Italy in 1979. Indicated for the treatment of asthma, Clenil is available in various formulations (PMDI, DPI and solution for nebulisation in UDV).

The pMDI formulation adopts the Chiesi patented Modulite technology enabling Clenil to achieve significant results in European countries like the United Kingdom, with consistently increasing sales and market share during its first full year on the market.

Clenil (especially in the UDV formulation) performed well beyond expectations especially in Italy, where it generates most of its worldwide revenues.

Clenil is still one of our most important assets to date, thanks to its remarkable therapeutic properties.

ATIMOS

Atimos is a pMDI formulation of formoterol fumarate based on Modulite technology, indicated for the long-term treatment of both asthma and chronic obstructive Pulmonary Disease (COPD).

Considered the best overall LABA on the market, due to its remarkably fast onset of action associated with long duration (up to 12 hours), Atimos guarantees optimal lung deposition even in the peripheral airways with its unusually extra fine particle size, thus enabling the disease to be uniformly treated.

As a result, Atimos has a superior bronchodilating effect and is as effective as other formoterols in DPI formulation. Moreover, it is also safe and well-tolerated compared to other pMDI and DPI formoterol formulations.

Licensing our technology to Novartis further underlines its efficacy.

The product is currently marketed in all of the major European countries, where it performed positively in 2007 on a Chiesi group basis.

TAKING CARE BRAMITOB

Bramitob is a new formulation of tobramycin solution for inhalation developed by Chiesi for the long-term management of chronic pulmonary infection caused by *Pseudomonas aeruginosa* in Cystic Fibrosis (CF) patients.

Bramitob comes in single-dose vials containing 300mg of tobramycin (75 mg/4 ml), to be administered twice daily to patients on a 28 days off cycle regime.

Tobramycin solution administered by nebulisation has been investigated in several clinical trials, including large, multinational, double-blind, placebo controlled studies. It has been demonstrated to be effective in improving pulmonary function, reducing hospital stays and the need for intravenous antibiotics in CF patiens.

Bramitob represents Chiesi's first product in the Cystic Fibrosis area. It has been registered and marketed in Italy since 2006, and as of February 2008 has been available in Germany, Spain, Holland, Greece, Austria, the Czech Republic, Slovakia, Hungary, Poland and Portugal. Moreover, Bramitob is under registration in the UK, Ireland, Switzerland, Russia, Turkey, Croatia, Serbia, Bosnia, and Montenegro.

CHIESI 2007

Main Products

clipper

Clipper is an oral, regional acting, once-a-day corticosteroid indicated for the treatment of mild to moderate Ulcerative Colitis (UC) flares as an add-on to 5-aminosalicylate acid therapy.

Clipper is available in gastro-resistant, prolonged release tablets containing 5 mg of beclometasone dipropionate (BDP).

Its unique drug delivery system ensures targeted delivery of the active ingredient (BDP) at the mucosa of the distal ileum and proximal colon, where the inflammatory process occurs, thus exerting local anti-inflammatory activity whilst minimising the systemic side effects of oral corticosteroids.

It represents the first oral targeted release corticosteroid indicated for the treatment of Ulcerative Colitis. Clipper is currently registered and marketed in Italy, Belgium, Spain and the UK.

Poractant Alfa
CUROSURF®

Respiratory Distress Syndrome is a surfactant deficiency due to the immaturity of the baby's lungs. This results in poor lung function and is one of the most common causes of neonatal mortality.

Curosurf is an intratracheal suspension for the prevention and treatment of Respiratory Distress Syndrome (RDS) in premature infants. It is a uniquely refined product as it is the only surfactant to undergo additional liquid-gel chromatography purification and does not require synthetic additives for optimal function.

Since its first introduction in 1992, over 800,000 infants have been treated with Curosurf. More than 300,000 product doses are distributed each year in over 50 countries around the world. Curosurf is the global market leader, with over 51% of the market share.

Brexin

Piroxicam betadex is a successful example of the clinical application of the Nobel Prize winning host-guest technology, whereby the host, a starch derivative known as ß-cyclodextrin, solubilises the guest, an anti-inflammatory drug known as piroxicam, thus enhancing the pharmacological properties of the active ingredient. Piroxicam betadex (PBC) is mainly indicated for the treatment of painful conditions and inflammation in patients suffering from rheumatic diseases such as rheumatoid arthritis, osteoarthritis, and ankylosing spondylitis.

After 18 years of success since its launch, PBC is marketed in 45 countries in Europe, South America, Asia and Africa.

Iperten
Manidipina cloridrato

Manidipine, a latest-generation dihydropyridine calcium antagonist, is a first-line treatment option for mild-to-moderate hypertensive patients. Because of its vasodilating action, manidipine effectively decreases both systolic and diastolic blood pressure. In addition, manidipine, unlike other conventional calcium antagonists, exerts characteristic effects aimed at both reducing the overall cardiovascular risk and improving the quality of life of the hypertensive patient. In fact, manidipine can be distinguished 1) by improved renal protection, due to a more balanced dilation of afferent and efferent glomerular arterioles resulting in a more effective reduction of microalbuminuria and proteinuria; 2) by a superior metabolic profile, enhancing insulin sensitivity and adiponectin secretion; 3) by a lack of reflex sympathetic activation contributing to the improved tolerability of the compound because of a lower incidence of ankle oedema. Today, manidipine is commercialized under various brand names in the following countries: Italy, France, Tunisia, and Morocco - Iperten; Brazil - Manivasc; Greece and Germany - Manyper; Spain - Artedil.

Human Resources

In 2007, we invested considerable resources and energy to make significant improvements in human resource management. Growth in turnover and new international needs demand excellent people, a strong corporate identity and effective management processes. The Human Resources team has been working on several projects in order to meet these challenges.

Selection process

Thanks to positive results and expanding business, the Group has increased its level of visibility in the pharmaceutical world. This evolution has further developed the need for new people with international experience and has made the selection process even more complex - and critical - for the business.

The Group is increasingly adopting global standard criteria for selecting its new resources. Young graduates are a clear example: their selection takes into account their skills and potential, but most of all aims at assessing their relational skills and, for specific positions, their international attitude.

Throughout 2007, the Chiesi Group hired a number of people from different countries with experience in major companies. Their new skills have contributed to the restructuring and strengthening of the corporate functions.

Key people: how to identify them and develop their skills

Over the last few years, we have realised that the development of the business and the evolution of the employment market have created a need for a dedicated process to identify and develop talents and key people.

In 2007, the Key People international project was officially kicked off, involving most of the affiliates. The initiative aims to guarantee business continuity and development of top and middle-management succession and, most of all, development and growth opportunities for the most talented executives.

The project began with the identification of the critical resources in some European Countries. Simultaneously, the existing Italian selection system was translated and adapted to become an international selection system that

takes into account different cultures, needs, languages and local laws. Once the project had been approved by local companies, the system was implemented on a local basis. Action plans will be undertaken during 2008 to establish new development and international opportunities for the Group's key people and talents.

Values: our key to success

One of the strongest cohesive elements in our Group are Corporate values. These principles - Reliable Company, Focus on People, Team Spirit, Everyone of us is Chiesi, Value Generation, Focus on Customer - were first defined and circulated throughout the Company in 2006 with an informative brochure.

In 2007 all the main local companies translated the brochure to their own language, personalising it with the images of their people, and distributed it to every employee.

Besides the communication initiative, which has helped everybody to get used to the corporate principles, Chiesi people are asked to adopt them in their professional lives and in their professional reviews are evaluated on the extent to which they adhere to these values.

CHIESI 2007

Information & Communication Technology

The Corporate Information & Communication Technology Department began evolving its approach from the traditional service to the business partnership model, stating that its mission is aimed at guaranteeing *the Design, Implementation and Availability of Systems in support of R&D and Chiesi Group business*.

The strategy of CICT is aimed at promoting business partnerships with internal clients, so that improved co-operation generates added value. This approach requires business consulting skills that support the successful introduction of new applications /technologies. Moreover, so-called Service Level Agreements and customers support are needed to ensure that service standards are defined, controlled and service oriented.

Methodology

CICT is currently strengthening its *Internal Organization* in order to meet the increasing internal demand for services. Specific Project Management skills have been developed to ensure that projects are delivered within a Total Quality Management scheme.
The adoption of standard methods and practices and the timely assessment of emerging technologies are the main tools that CICT is using to evolve from a technical to a consulting role.

CICT critical success factors
Optimize use of IT resources
Increase internal resource skills
Promote cooperation between CICT "project representatives" and key users
Enhance overall understanding of impact required by quality and regulatory compliance
Increase international cooperation and knowledge exchange

Technology

The key concepts that characterize the technological infrastructure strategy are: *standardization, simplification* and *robustness*.

Our current challenge is to meet the yearly growth of our enterprise technological infrastructure (server +25%, storage +30% in 2007) without increasing costs at the same rate. This is a constant effort to reduce both complexity and management costs. At the same time, we are continuing our research for flexible and adaptive technology and renewing obsolete infrastructures.

International dimension

The impact of internationalization is very important for our strategy. Every component of our technological and application infrastructure needs to be adapted for international usage. Every time we design a new system or introduce a new piece of infrastructure, we need to take into consideration a possible extension on an international basis.

Main achievements in 2007
Electronic Document Management System extended to entire R&D documentation
“Lighthouse” (supply chain management system) extended to Brazil and Austria
“Meteo” (planning tool) project for International Commercial Operations and Pharmaceutical Division Italy
Holland and Turkey infrastructure implementation

Main projects in 2008
Clinical Data Management system: Clinical Trials Database
Discovery Database System (Knowledge Management)
Electronic Document Management System implementation for Industrial Operations Department
Telecommunications: Voice over Internet Protocol phone system & Multi Protocol Label Switching wide area network
Manufacturing Execution System (electronic batch record for single-dose sterile line)

CHIESI WORLDWIDE

- INTERNATIONAL PERSPECTIVE
- DIVISIONE FARMACEUTICA ITALIA
- CHIESI FRANCE SA
- CHIESI ESPAÑA
- TRINITY CHIESI UK
- ASCHE CHIESI GERMANY
- TORREX CHIESI AUSTRIA
- CHIESI HELLAS
- CHIESI NETHERLANDS
- CHIESI RUSSIA
- CHIESI PHARMA USA
- FARMALAB CHIESI BRAZIL
- CHIESI PHARMA PAKISTAN
- CHIESI TURKEY
- OTHER MARKETS:
  BELGIUM, EGYPT, MAGHREB, MEXICO
- STRATEGIC ALLIANCES

International Perspective

The Group considers internationalisation as a key strategy for its development: accordingly it has established local affiliate companies in twenty-one countries.

The current international presence is the result of a careful evaluation of the best opportunities offered by local markets to extend the international presence of the company. Beginning at the end of the '80s, this process has been implemented both with the founding of new legal entities and the acquisition of local enterprises.

In 2007, the Group's affiliate companies direct sales reached Euro 297 million (up 13% on 2006); further sales of Euro 8.9 million derived from Eastern European markets were consolidated within Torrex Chiesi (see p.29).

Global selection

The Group's strategy continues to follow two guiding principles. Affiliate companies are aimed at earning market share in the countries where the Group is already present. In the meantime, we select promising countries offering a high growth rate in the pharmaceutical market, ensuring effective synergies for the Group product portfolio.

In 2007, this approach has led to the creation of three new affiliate companies in the Netherlands, Romania and Bulgaria.

In 2008, the Group will evaluate other opportunities, such as the start-up of new affiliate companies in the rapidly growing Asian countries.

CHIESI WORLDWIDE

Divisione Farmaceutica Italia

Chiesi Italy had a successful 2007, closing the year in twelveth position in the retail market. As in 2006, it once again achieved the best performance among the top fifteen companies showing continuity of its growth.

The year has been marked by a deep crisis for several companies, mainly due to patent expiries of several blockbusters and to devolution-based regional measures strongly in favour of generic products.

Our results are achieved by its progressive market segmentation and targeting approach and a constant search for innovation in marketing and sales. The main drivers behind this growth have been the respiratory and cardiovascular portfolios, although all areas were positive. All top five products, accounting for 50% of the total Company turnover, have significantly increased on 2006: Iperten (Euro 17.5 million sales, + 7% in units Y/Y) and Provisacor (Euro 40.5 million, +38 % in units Y/Y) are leading brands in the cardiovascular field; Clenil A (historical record at almost 6 million units, Euro 40.5 million) and Prixar (over 1 million packs, Euro 12.6 million) are top in the respiratory area.

Foster was launched in October 2007, supported by a prolonged and comprehensive pre-marketing phase, and with the involvement of all Primary Care lines. The brand took off impressively in the first two months and ended the year at more than 100,000 units, with a 7.3 % exit-year market share in volumes. In the special care area, Bramitob took off well and Xenazine's (tetrabenazine) launch in November was positive.

Growth has been flanked by a number of organizational development projects, such as Customer Relationship Management implementation, which kept the marketing in an innovative direction. A further field force restructuring has been completed with the progressive downsizing of the field force dedicated to general practitioners and the development of more specialized, secondary care lines, in the cardiology and respiratory fields.

For 2008, the focus will remain on Foster in its most important year, and on careful portfolio management (particularly for Provisacor and Iperten), to maintain results in all our competitive arenas.

Italy	
Domestic direct Sales (K€)	244,464
Growth	8.2%
Headcount	1,408
Field Force	505

France, Spain

Chiesi France SA

In 2007, Chiesi SA France achieved a good sales growth of about 5% on the previous year, reaching a turnover of more than Euro 91 million in a market disturbed by economic constraints. The results of the affiliate are partly based on mature brands, especially with Iperten's remarkable growth now standing at Euro 10 million annual turnover and Cetornan sales remaining stable, but increasingly on the development of the respiratory products. This area now supports nearly one quarter of affiliate sales with Beclojet and Curosurf sustained performances and new product launches: Formoair (formoterol) and Beclospin (beclometasone nebulization). The Formoair launch has been supportive for the Innovair (beclomethasone / formoterol) prelaunch and has reinforced Chiesi's profile and expertise in the respiratory field.

The portfolio evolution has been accompanied by field force and headquarter mobilization in order to maximise the potential of existing products whilst focusing the affiliate's main efforts on the Innovair launch.

Also of note is the fact that we have made investments in R&D local activities in France, representing 17% of the total investments in clinical trials of the Group.

Important investments in the Blois plant based are also a key element of the year. The plant has been expanded in order to support the growth in terms of supply, and to handle the distribution of all the products sold by the affiliate.

Finally, in December, Chiesi became a member of the Medicen Paris Région, a French competitiveness cluster, further proof of our commitment to R&D.

France	
Domestic direct Sales (K€)	91,308
Growth	4.8%
Headcount	368
Field Force (direct + interim)	230

Chiesi España

In 2007, Chiesi Spain's turnover was up by 5% on 2006. This growth mainly derives from two corporate products, manidipine (Artedil) and formoterol (Broncoral). During the year, the Spanish affiliate launched Clipper (gastroenterological area). Further respiratory products and Bramitob will be launched in 2008.

The affiliate is expected to grow supported by five products, developed by Corporate R&D and intended to change its *licensing and business* model to one which exploits the Group's portfolio to the full. In 2008, major promotional investments have been planned to support the launch of these products.

Foster is to be co-promoted with Pfizer under the brand name Formodual. For the first time in Spain, a Chiesi product will be promoted by more than 500 medical reps. In 2008, Chiesi Spain anticipates promising growth.

Spain	
Domestic direct Sales (K€)	47,333
Growth	5%
Headcount	235
Field Force	194

CHIESI WORLDWIDE

Trinity Chiesi, Asche Chiesi

Trinity Chiesi

2007 was a successful year for the United Kingdom affiliate. Overall sales increased year on year by +30.6% versus the UK pharmaceutical market average of +3.1%.

Sales of Clenil (Trinity-Chiesi's CFC-free dose equivalent beclomethasone) demonstrated remarkable growth to £ 8.3 million in 2007 and this important product looks set to continue its relevant growth rate in 2008.

Sales of Curosurf, treatment for Respiratory Distress Syndrome in premature infants, continued to develop with strong growth and total sales reaching £ 5.8 million.

During the year, the sales teams were restructured into three distinct business units (respiratory, commercial and special care) in order to increase focus within each discrete business area.

2008 will see Trinity-Chiesi launch a number of important new products, the most exciting of which is Fostair, the new combination inhaler which is set to enter a market currently valued at just below £ 500 million.

The launch will build on the success of Clenil and further accelerate growth within the important respiratory business franchise.

United Kingdom	
Domestic direct Sales (K€)	47,670
Growth	30.6%
Headcount	141
Field Force (direct + interim)	136

Asche Chiesi

The German affiliate achieved an excellent performance in 2007. Total revenues were up by 19.5% on the previous year to a level of Euro 39 million. A major driver behind this performance is Foster. The product was launched in October 2006 in Germany, the first country in the Group. Other corporate respiratory brands like Forair (formoterol pMDI) and Sanasthmax (beclometasone for nebulisation) also made a significant contribution to the last year growth.

A range of valuable respiratory products have helped speed up the market acceptance of Asche Chiesi as an important player in the respiratory field. A dedicated paediatric field force was set up in October 2007 to expand this position. New people were selected thanks to a focused recruitment process and the start of 2008 saw double the number of highly skilled representatives begin in the respiratory area.

The associate company is well prepared to enter the special care hospital market: a dedicated hospital field force was implemented at the end of 2007 to take over Curosurf. In the first quarter of the year 2008, this team will also launch the inhalant tobramycin Bramitob for the treatment of cystic fibrosis.

Germany	
Domestic direct Sales (K€)	33,899
Growth	19.5%
Headcount	118
Direct Field Force	91

Torrex Chiesi

Torrex Chiesi, Austria and EEC

The Torrex Group with its headquarters in Austria is a regional structure representing the Chiesi corporation in the Central Eastern European Countries (including Russia, separately accounted in 2007 figures) and the countries within the Commonwealth of Independent States (CIS). Besides Chiesi's corporate products in respiratory, rheumatology and neonatology, the portfolio is also established in anaesthesiology, intensive care, systemic antifungal therapy and in addiction treatment.

Torrex Chiesi Pharma GmbH, Austria

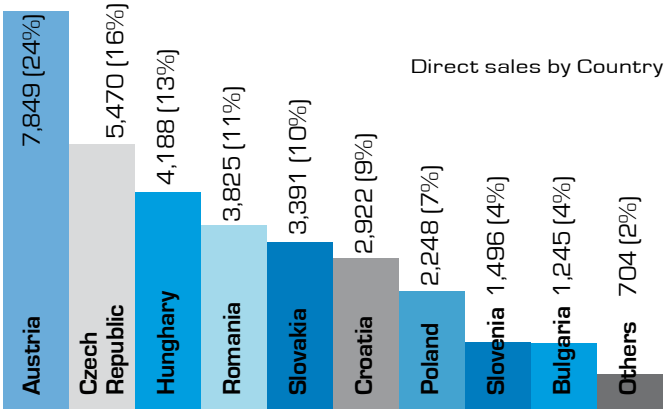
Torrex Chiesi Pharma GmbH, located in the centre of Vienna, is serving its whole group in logistic, regulatory, medical and financial matters. For the Austrian Marketing organisation, the main event in 2007 was the acquisition of Prolastin, a blood plasma product for a rare genetic pulmonary disease under licence from the US company Talecris. For 2008, the main challenge will be the launch of Foster.

Torrex Chiesi Kft, Hungary

In spite of the difficult pharma-economical situation within the Country, the business was successfully developed in 2007, mainly sustained by the sales of piroxicam β-cyclodextrin (PBCD - Flamexin) and further driven by the launch of Foster in October 2007.

Torrex Chiesi CZ s.r.o., Czech Republic

The anaesthesiology area represents an important basis for the local associate portfolio. Furthermore, the respiratory products, starting with BDP some years ago and followed by budesonid (Budiair) in 2006 and Formoterol (Atimos) in 2007, are growing into an important business area.



Torrex Chiesi s.r.o., Slovakia

The subsidiary, operational since 2004, has now become one of the most dynamic business units. Two events had particular relevance in 2007: PBCD (Flamexin) was made available on prescription to general practitioners and Foster was successfully launched in October.

Torrex Chiesi s.r.l., Romania

Sales are mainly generated by PBCD (Flamexin), which has gained a good market share after its launch in 2003. Additional hospital products were launched in 2007 and the expected launch of Foster during this year will drive this successful unit.

Torrex Chiesi d.o.o., Slovenia

The Group has operated in Slovenia since 1994. This well-established business has its most important sales area in addiction (ReVia), with midazolam, and again with Foster, launched in October 2007.

Torrex Chiesi Ltd., Bulgaria

The company was recently established in January 2008, In addition to the respiratory products (budesonide, beclomethasone), Curosurf, ReVia, and the anaesthetic portfolio, biggest sales are primarily generated by Flamexin, launched at the beginning of 2006.

Torrex Chiesi Polska z.o.o., Poland

The Polish affiliate was established at the beginning of 2005. The local team is mainly focussed on hospital products (Amphocil, Curosurf, pamidronic acid and the anaesthetic portfolio). By mid 2007, a new retail group started promoting Flamexin, while other respiratory products (mainly Fostex) are expected to be launched during 2008.

Austria & EEC	
Domestic direct Sales (K€)	33,339
Growth	22.1%
Headcount	158
Field Force	77

CHIESI WORLDWIDE

Russia, Hellas, Netherlands

Chiesi Pharmaceuticals LLC, Russia

The Russian affiliate, established in 2006, was integrated this year into the management of the Torrex Chiesi Group as a regional centre for the Eastern European Countries. By tradition, sales are mainly based on Vasobral and beclomethasone, but a variety of new products are expected to be launched both in the hospital and retail sectors. The Russian team covers the entire Russian territory, with a special focus on Moscow and other big cities. Major growth in both sales and headcounts within the organisation is expected in the next few years.

Russia	
Domestic Sales (K€)	3,941
Growth	16.3%
Headcount	44
Direct Field Force	32

Chiesi Hellas, Greece

The year 2007 was a special year for the enterprise. The Greek affiliate celebrated ten years in business, having already put down deep roots in the local pharmaceutical market and gained a good reputation in the medical community. Chiesi Hellas is now perceived as a serious and trustworthy company, with well-educated and skilful people and a warm but also highly professional working environment.

2007 was also a successful year. A 29.9% growth rate on 2006 was a remarkable result, which was achieved without any new launch. The basic promoted products, Manyper, Forair, Budiair, Brexin and Curosurf, scored very good sales performances. This performance has gratified and motivated all the employees and especially the medical reps, who are now ready to meet even more challenging and demanding goals in 2008.

The objective of the affiliate is to establish the name of the company in the respiratory field, by launching Becloneb, Bramitob and Foster with maximum success by the end of 2008.

Greece	
Domestic direct Sales (K€)	5,483
Growth	22.9%
Headcount	39
Direct Field Force	27

Chiesi Pharmaceuticals BV - Netherlands

The Company's overall objective is to establish a well-recognized pharmaceutical enterprise in the Dutch market, and create a positive positioning in the local medical world, with a focus in the respiratory field.

Moreover, we want to establish a highly successful affiliate which is fully embedded within the Group.

Operations started at the end of 2007 with 28 people, including 19 reps.

The institutional campaign was the primary concern, with the aim of creating awareness in Holland for the Chiesi

USA

company and name. Our efforts were then concentrated on the launch of Foster in January 2008. In 2007, pre-marketing started for Bramitob, which was subsequently launched at the beginning of 2008. In January 2008, Brexine was also launched in the Netherlands.

This year we aim at creating a consistent Company positioning in the respiratory market. The Dutch team will focus on the development of our sales force together with the launch of Foster, Bramitob and Atimos.

Chiesi Pharma USA

The US affiliate, Chiesi Pharmaceuticals Inc., provides both local and global Research & Development as well as Business Development and Licensing support to Chiesi Group. The company headquarters are in Rockville, MD, not far from the headquarters of the US Food and Drug Administration (FDA).

The US affiliate has a primary focus on developing carmoterol HFA pMDI for the treatment of COPD and tobramycin solution for inhalation in the treatment of Cystic Fibrosis. Following the successful completion of the first dosing study of carmoterol in COPD, a confirmatory study in the same patient group is being conducted in 2008 with a planned completion by the end of the year. US affiliate personnel are also responsible for leading the global clinical development of tobramycin and are currently managing an international comparison trial of tobramycin with the market leader.

The US affiliate continues to aid in supporting Curosurf for the treatment of acute respiratory distress syndrome in premature neonates. Curosurf is marketed in the US through a licensee. The affiliate is also actively working to establish a formal relationship with one of the foremost research centres for pulmonary biology in the US, to identify and evaluate other promising opportunities.

CHIESI WORLDWIDE

Brazil, Pakistan

Farmalab Chiesi - Brazil

In 2007, Chiesi's Brazilian subsidiary was able to consolidate some very significant milestones, preparing the company for the future.

Farmalab Chiesi achieved in excess of Reais 100 million (local currency) in sales, growing 12.6% over last year. It started its export activities to Egypt and Pakistan. The approval has been received from the Italian regulatory board, AIFA, to produce and export the spray formulation to Italy and the new ERP system has been finalized, succesfully integrating all areas of the company.

In 2008, Farmalab Chiesi's major challenges will be to better exploit the current line of products and continue its excellent performance achieved with corporate products like Manivasc and Hipertil.

Investments will be concentrated on marketing and sales, with the implementation of the sales automation combined with a new medical target segmentation technique.

Over the last few years, Brazil has been showing positive market growth and expectations for 2008 are to maintain the same trend. Farmalab Chiesi is prepared to succeed in this market.

Brazil	
Domestic direct Sales (K€)	38,442
Growth	12.6
Headcount	288
Field Force	142

Chiesi Pharma Pakistan

In 2007, Chiesi Pakistan reached another milestone in its successful achievements. The affiliate completed 20 years of excellent performance in the pharmaceutical market of Pakistan. Chiesi Pakistan is now maintaining a sizeable product portfolio.

An important celebration was organized during 2007 to mark the 20th Anniversary of Chiesi Pakistan, where the hard work of both employees and business associates was praised.

In a highly competitive market which is to some extent price-driven, the affiliate was able to maintain brand leadership in the respiratory area (Clenil 250, Atem,

Turkey

Bamifix) and in the women's health sector (Prolifen) throughout 2007. In the musculoskeletal segment, the ranking of Brexin was upgraded to 67th within the top 100 products on the Pharmaceutical Market.

During the year Chiesi Pakistan obtained marketing authorisations for Curosurf and Atimos; both these products will be launched in 2008. The objective for 2008 is to obtain registration of Foster and to launch this key corporate product during early 2009.

Pakistan	
Domestic direct Sales (K€)	7,352
Growth	8.1%
Headcount	97
Direct Field Force	72

Chiesi Turkey

Chiesi Turkey operations started at the beginning of 2007 with the recovery of Cicladol from the Turkish company I.E. Ulagai and the activities have mainly been focused on the registration of Chiesi products. Curosurf and Rinoclenil are currently being launched, while Atimos, Budiair and Foster are being registered and are due for launch in 2008. The full cardiovascular line of products is also in the process of being registered.

The organization is rapidly evolving and the number of medical reps is set to increase in line with the number of expected launches and the relevance of Chiesi corporate products for the Turkish market.

Turkey	
Domestic direct Sales (K€)	1,080
Growth	n.a.
Headcount	21
Direct Field Force	17

CHIESI WORLDWIDE

Other Markets: Belgium, Egypt, Maghreb and Mexico

Belgium

In 2007, Chiesi further consolidated its Special Care business in Belgium:

Curosurf, launched in late 2005, achieved sales exceeding 70% market share.

Clipper was launched through the same organization in April 2007, reaching a market share of nearly 15% in December.

Egypt

A dedicated Chiesi sales force (Scientific Office) was created in 2003 for the marketing and promotion of respiratory and musculoskeletal products. Local sales, involving 43 people, amounted to about Euro 5.6 million in 2007. A substantial contribution to this achievement was made by the record sales of more than 3 million packs of Clenil Compositum MDI.

Maghreb

In *Morocco*, the local partner Promopharm joined the stock market with success among local investors. Local sales of Chiesi products amounted to almost Euro 6.5 million, maintaining a market share of 1.8%. The main therapeutic areas involved are respiratory, musculoskeletal and cardiovascular.

In *Tunisia*, where a Chiesi Scientific Office is operating, Chiesi has leading positions in the respiratory and musculoskeletal therapeutic areas and is consolidating its position in the cardiovascular area, following the successful launch of two anti-hypertensive products.

A market share of 1.2% was achieved in 2007, corresponding to 18th position in the top ranking companies. Further growth in the respiratory arena is planned in 2008 thanks to the launch of Foster.

In *Algeria*, where a dedicated sales force is promoting Chiesi's products, Chiesi is market leader of the corticosteroid asthma segment with Clenil. The successful launch of Cycladol has allowed for the reshaping of the product mix. This activity will be further developed with the launch of Rinoclenil in 2008 and of other innovative products from the respiratory pipeline in 2009.

Mexico

2007 was the first operational year for the Mexican specialists' organization founded in November 2006. The great enthusiasm of Chiesi's Hospital organization was an important factor for the success of Curosurf.

During the first year, all the commercial objectives have been reached and new, more challenging goals have been fixed for 2008. Simultaneously, the registration activity of the respiratory portfolio is ongoing with the aim of obtaining expansion in the general pharmaceutical arena (public and private).

Strategic Alliances

Partnerships in the pharmaceutical industry are becoming increasingly important due to the complex nature of development and the need for innovative commercial strategies in an expanding global market, where reimbursement and cost containment are high profile issues. More large pharmaceutical companies are looking outside their own organizations for products and technologies, as blockbuster products continue to lose patent protection. For this reason, Chiesi is continuing to reinforce relationships with existing partners and focus attention on new partners, in order to consolidate and expand our collaborations.

The Group is recognized for its innovation and reliability as a company and we continue to look at ways to confirm our reputation as a partner of choice.

This recognition is exemplified by the fact that in 2007, we were able to extend our agreement with UCB on Foster to a number of other countries. In addition, we executed a co-marketing agreement in Italy, a co-promotion agreement in France with Abbott for Innovair, a co-marketing agreement switch from UCB to Janssen-Cilag for Foster/ Inuvair (in Germany) and, more recently, a co-marketing agreement in Spain with Pfizer for Foster/ Formodual. Furthermore, we bought back Curosurf rights from Nycomed-Altana in Germany, consolidating our franchise in the neonatology area in the European Union.

We continue to work with our affiliate companies in their quest for business partners and in the continuing effort to improve in-licensing processes and efficiency.

SOCIAL RESPONSIBILITY

Added Value Determination

The analysis of the added value generated in 2007 shows a homogenous growth (around 11%) of sales, production volumes and investments, i.e. technological infrastructures for industrial operations (pp. 11-13) and Information & Communication Technologies (pp. 22-23). In other words, the most relevant industrial assets of the Group have been improved.

Added Value Distribution

In 2007 Chiesi Group has been able to benefit from the increase of tax credits, due to R&D investments in France and in Italy, and from the tax incentives policy in Italy. This additional value has been largely invested in human resources policies, both for the birth of new local companies in Holland and Turkey, and for the improvement of wages, salaries and of a number of human resources procedures (pp. 20-21). The Chiesi R&D investments increased by 20% on 2006, contributing to the growth of the knowledge and to the development of the future drugs and technologies.

Added Value Distribution (Values in K Eur/000)	2007	2006
HUMAN RESOURCES RETURN	**174.809**	**157.928**
• Wages & salaries, leaving and severance indemnities, other personnel costs	137.489	121.895
• Social Security Contribution	34.351	33.283
• Training	2.969	2.750
PUBLIC ADMINISTRATION RETURN	**34.667**	**39.126**
• Income taxes	29.415	32.629
• Other taxes	5.604	6.837
• Public grants for operating expenses	(352)	(340)
COMPANY RETURN (Net income)	**41.788**	**29.086**
GROUP ADDED VALUE	**251.264**	**226.140**

Environmental Indicators

Due to the increasing importance of environmental issues, a variety of projects have been planned and carried out in the last few years, in order to reduce the impact of our business on the environment.

A project of switching from CFC-based to HFA-based inhalers has been introduced, to prevent the impact of these propellants on the ozone layer. In 2008, this project is to be completed with the total substitution of the CFC propellant with the HFA.

The enterprise water discharge in 2007 has decreased by 10% compared to 2006 figures, and by 34% compared to 2003.

In 2006, investments for a total amount of around Euro 1 million have been carried out to leverage energy consumption.

GLOSSARY

Beclomethasone dipropionate (BDP): a synthetic steroid of the glucocorticoid family, with potent anti-inflammatory action. When used as an inhaler, the medication goes directly into the lungs, and very little finds its way into the rest of the body.

Chronic Obstructive Pulmonary Disease (COPD) is comprised primarily of two related diseases - chronic bronchitis and emphysema. In both diseases, there is chronic obstruction of the flow of air through the airways and out of the lungs, and the obstruction generally is permanent and progressive over time.

Cystic fibrosis (CF): an inherited chronic disease that affects the lungs and digestive system of about 70,000 worldwide. A defective gene and its protein product cause the body to produce unusually thick, sticky mucus that clogs the lungs and leads to life-threatening lung infections. Also, it obstructs the pancreas and stops natural enzymes from helping the body break down and absorb food.

Dry Powder Inhaler (DPI): a device to deliver medication for the treatment or maintenance management of respiratory diseases and conditions.

Hydro-fluoro-alkane (HFA): newer propellant used in some asthma inhalers. A propellant is a gas that helps spray the medicine into lungs. This type of propellant does not have a negative effect on the ozone layer.

Long acting beta agonist (LABA) open the airways in the lungs by relaxing smooth muscle around the airways. They do not decrease swelling in the lungs and are often used with inhaled steroids as a long-term control medication to open the airways in people with moderate to severe asthma, or other chronic lung disease.

Piroxicam betadex (PBC): successful example of the host-guest technology whereby the host, a starch derivative known as β-cyclodextrin, solubilises the guest, an anti-inflammatory drug known as piroxicam, thus enhancing the pharmacological properties of the active ingredient.

Pressurised Meterd Dose Inhaler (pMDI): a device that helps deliver a specific amount of medication to the lungs. Largely adopted by Chiesi Group for its products, it is commonly used to treat asthma, chronic obstructive pulmonary disease (COPD), and other respiratory problems.

Respiratory Distress Syndrome (RDS): a syndrome caused in premature infants by developmental insufficiency of surfactant production and structural immaturity in the lungs. It can also result from a genetic problem with the production of surfactant associated proteins. RDS affects about 1% of newborn infants and is the leading cause of death in preterm infants.

Unit-dose vial (UDV): the packaging of a single dose in a non-reusable container. Medications in unit-dose packaging are easily identifiable and simple to use.

Ulcerative Colitis (UC): is an inflammatory bowel disease (IBD) that causes inflammation and sores, called ulcers, in the lining of the rectum and colon. Ulcers form where inflammation has killed the cells that usually line the colon, which then bleed and produce pus. Inflammation in the colon also causes the colon to empty frequently, causing diarrhoea.

Executive Committee

President & CEO	*Alberto Chiesi*
Vice-President and Director of R&D	*Paolo Chiesi*
R&D Planning and Control Director	*Andrea Chiesi*
Corporate Drug Development Director	*Vanda De Cian*
Corporate Marketing Director	*Maria Paola Chiesi*
Corporate Development Director	*Anton Giorgio Failla*
International Division Director	*Paolo De Angeli*
Affiliates Coordinator International Division	*Alessandro Chiesi*
Finance & Control Director	*Danilo Piroli*
Industrial Operations Director	*Giovanni La Grasta*
Human Resources Director	*Ugo Bettini*
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The most important events in 2007

- Foster launches in Italy, Slovenia, Slovakia, Hungary
- Foster Mutual Recognition Procedure: first & second wave
- Bramitob & Clipper launches
- Curosurf, world leader in the treatment of Respiratory Distress Syndrome, achieves 51% world market share
- New local companies: Chiesi Holland and Chiesi Turkey

Chiesi