

FARMAFACTORING SPA



Bilancio 2004 | Annual Report



Dalla collezione Farmafactoring

Emilio Tadini

CITTÀ ITALIANA - 1988

Call to the general annual Shareholders' meeting

The shareholders are hereby convened to the ordinary and extraordinary general annual shareholders' meeting at the registered office of the Company, in the city of Milan, Via Domenichino 5, in first call, on June 16, 2005, at 14:30 PM, and, should it prove necessary, in second call, on June 20, 2005, at 10:00 AM at the same place, in order to pass resolutions on the following

Order of Business:

Ordinary business

1. Examination of the financial statements for the year ending December 31, 2004, the Board of Directors' Report on operations and the Board of Statutory Auditors' Report; respective and pertinent resolutions.
2. Confirmation of the co-opting of directors.
3. Any other resolutions, pursuant to Art. 2364 of the Italian Civil Code.

Extraordinary business

1. Bonus increase of share capital from Euros 55,000,000 to Euros 65,000,000, drawn from retained earnings; respective and pertinent resolutions;
2. Consequent amendment to Art. 5 of the corporate by-laws.

All shareholders who have deposited their stock certificates at company headquarters, or at Banca Nazionale del Lavoro, or at Monte dei Paschi di Siena or at Banco di Roma, at least 5 (five) days prior to the date set for the meeting, will be eligible to attend.

For the Board of Directors Chairman
Marco Rabuffi

Milan, May 24, 2005

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Board of Directors

Honorary Chairman	Massimiliano Pancera
Chairman and CEO	Marco Rabuffi*
Vice Chairman	Giovanni Martino Dettori*
Directors	Luciano Bocci Alberto Dejana* Simonetta Girotti Aldo Maccaferri* Marcello Messina* Enrico Pian* Gilberto Sardelli* Giovanni Scacchi
<i>* Members of the Executive Committee</i>	
General Manager	Antonio Iantosca

Board of Statutory Auditors

Chairman	Franco Caramanti
Acting auditors	Fabrizio Bellini Francesco Logaldo
Alternate auditors	Mario Massari Fabrizio Neri

Independent Auditors

KPMG S.p.A.

General economic overview

Dear shareholders,

A few observations about the general international economy and the economic situation in Italy are provided in the following paragraphs.

The international economic scenario

The world economy sustained an uninterrupted phase of expansion in 2004 which began in 2003, recording an increase in GDP of 5%, with forecasted growth of 4.2% in 2005.

The focal point continues to be the United States where economic growth remains high despite the Federal Reserve's policy of raising interest rates.

On the whole, GDP in the United States rose 4.4% in 2004, the highest increase since 1999, compared to a growth of 3% in 2003.

This result can be ascribed to a very positive economic trend in the first half of the year that slowed down in the last quarter.

The American monetary policy could also remain unchanged in 2005, with a further increase in borrowing costs so as to combat the possibility of inflation caused by the continuing growth of the economy which, for 2005, should be around 3.5%.

China, among the Asian countries, achieved the best results, with an increase in GDP of 9.5% in 2004, recording the highest growth from 1996 to date.

The recovery of the euro, instead, is proceeding at a moderate pace, especially in the third quarter, while the last part of the year showed a slight improvement. The average rate of growth on an annual basis was 1.6%.

The disappointing evolution of the economic situation in the EU countries is largely due to the weakness of the U.S. dollar against the euro and by the resulting contraction of exports. This should persist into 2005. The pace of growth is expected to pick up only in the second half of the year.

Among the European Union countries, the economic trends are divergent: France and Spain performed much better than Germany and Italy.

According to INE (the National Statistics Institute), GDP in Spain rose 2.7% on an annual basis with a contribution by exports that was less negative than the other countries in the EU; a certain degree of stability was also evident in domestic demand. In Germany, on the other hand, growth was around 1.6% with a contraction towards the last part of the year. This was principally caused by a drop in demand that was partly compensated by a rise in exports.

According to a report made public by ISAE (the Institute for Economic Studies and Analyses), the exchange problem has become a central theme even though a new cycle of growth cannot occur without a rise in domestic demand and the relaunch of competitiveness by businesses.

Despite the weakness of the U.S. dollar, the trade deficit of the United States grew by 24% in 2004, with an increase in imports that was considerably higher than exports, especially vis-à-vis China.

As for the trend of inflation, an analysis by Eurostat shows that prices in the European Union increased by 2.4% on an annual basis with the tendency in 2005 inclining towards a lower figure of 2%.

Notwithstanding a reduction in inflationary pressure, caused by a drop in oil prices, the European Central Bank continues to underscore the risks of a rise in prices when considering the stability of prices in the medium term, pointing out that the next correction in interest rates will in any case be upward.

The Italian economy in 2004 and forecasts for 2005

In the European Union, Italy is one of countries which recorded the lowest economic growth.

According to Istat (the national statistics bureau), estimated GDP growth was 1.1% on an annual basis, with a decrease of 0.3% in the last quarter of 2004.

The growth of 1.1% is higher than the 0.4% increase in 2003 but is lower than expectations. Forecasts for 2005 also project a low growth, around 1.5%.

The performance of the Italian economy is inevitably influenced by the evolution of the European and international scenario and is also affected by factors of internal weakness and a cyclical delay which further compromise results.

The latest economic figures emphasize the fact that the domestic economy has not yet overcome the protracted phase of stagnation. Industrial production is penalized by competition from emerging countries and persisting uncertainty reigns over the possibility of the evolution of demand, beginning with the foreign markets.

If 2004 ended with a significant deceleration of the economy, linked, in part to the slowdown of exports, then the economy in 2005 could be affected by the strong appreciation in value of the European currency and less dynamic world demand.

Lower growth of the economy means a higher budget deficit with a consequent rise in public debt which tends to overstep the limit of 3% in the deficit/GDP ratio, fixed by the Stability Pact.

The Ecofin Council, however, has allowed the Italian stability program to be re-evaluated even though perplexities remain over the possibility of confining the deficit if additional "one-off" measures are not to be taken.

With regard to the trend of prices, according to Istat estimates, inflation rose 2.2% in 2004, down by half a percentage point from 2003, recording the lowest inflation rate since 1999 (1.7%) and reducing the gap with the countries in the eurozone to 0.2% compared to 0.7% last year.

Just how the positive data on the trend of prices will translate into an incentive for domestic demand will largely depend upon how the trend of inflation is viewed by consumers and by how much purchasing power households will gain.

The National Health System in Italy in 2004 and forecasts for 2005

According to a report released by ISAE, health expenditures in 2004 were 6.2% higher than the prior year and could be reduced to 4.3% in 2005.

The report indicates that the main factors contributing to this increase are higher pharmaceutical expenditures and renewal of the collective national labor contract for medical and non-medical staff of the National Health Service.

One of the reasons for the increase in pharmaceutical expenditures, according to ISAE, was the attenuation of the price-controlling effect of prescription tickets.

According to estimates by the Cergas Drugs Observatory (Research Center for Health and Social Assistance Management), this has caused a reduction in the proportion of tickets to overall expenditures of half a percentage point in 2004 compared to 2.5% in 2003.

The increase in health expenditures is reflected in the deficit which, according to estimates by CEIS (Center for International Studies on Economic Development), was Euros 8.4 billion in 2004, with a forecast of Euros 6.1 billion in 2005 which could jump to Euros 13.6 billion in 2010.

Besides this prospective data, the deficit carried forward for the period 1998 - 2003 amounts to approximately Euros 20 billion.

Corrective measures introduced by the Finance Bill include a 2% limit on the overall increase in expenditures compared to the prior year for ASLs (Local Health Service Agencies) and hospitals.

Euros 90.2 billion has been set aside in the Finance Bill for 2005 which should cover the necessary funding estimated by the Regions.

Moreover, Euros 600 million is earmarked for the IRCCSs (Institutions for Hospitalization and Care of a Scientific Nature), University General Hospitals and mixed hospital companies while about Euros 1.4 billion will be set aside for the most disadvantaged Regions.

Access to financing from the National Health Fund, however, entails obligations to be borne by the Regions, such as quarterly verification of the economic and financial equilibrium of the ASLs (Local Health Service Agencies), AOs (Hospital Companies and IRCCSs (Institutions for Hospitalization and Care of a Scientific Nature) and the adoption of measures to bring the situation back into balance, including the resignation of the Director General.

For those Regions, which at the end of the year record an operating deficit caused by failure to adopt the proper steps, the President of the Council will notify the Regions that corrective measures must be taken by April 30 of the following year.

If the necessary steps are not taken by the Region by that date, the President of the Region may intervene as Commissioner.

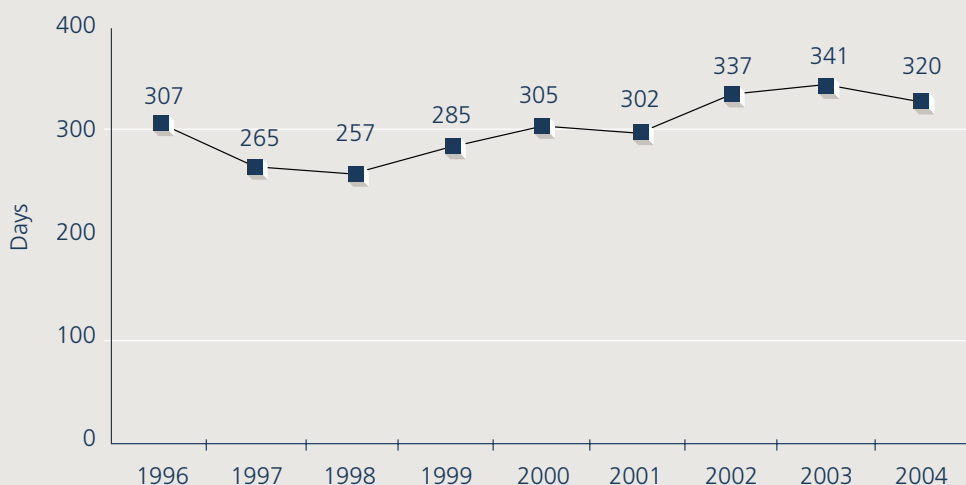
In order to meet the debts which the Italian ASLs (Local Health Service Agencies) have with suppliers, certain Regions have opted to arrange settlement agreements with the suppliers and, in some cases, the Lazio Region, for example, the securitization of its receivables.

These initiatives, begun in 2003, became more frequent during the course of 2004.

The first agreements sealed by the Lazio Region with suppliers and ASLs (Local Health Service Agencies) were followed by those concluded by the Abruzzi, Apulia, Marches and Campania Regions.

A final note concerns the average payment times which, in 2004 were approximately 320 days.

Average Number of Days to Payment



Compliance with the new reform of corporate law as stated in Legislative Decree No. 6/2003

The changes made to the bylaws of the Company in accordance with the Reform of corporate law introduced by Legislative Decree No. 6/2003, which came into effect on January 1, 2004, were voted by the extraordinary shareholders' meeting held September 22, 2004, by act of the notary public Enrico Bellezza under file No. 46134 recorded on October 1, 2004. The new bylaws are attached to this annual report.

Legal profiles and financial statements according to IAS/IFRS accounting standards

Beginning from the years starting January 2005, the principal Italian companies will be required to prepare financial statements according to IAS/IFRS accounting standards. The Decree of November 2004 which introduced art. 25 of EU Law No. 306 dated October 31, 2003 in the Italian tax framework requires the adoption of IAS/IFRS in consolidated financial statements for listed companies, banks, financial intermediaries subject to supervision, companies with stock or bonds placed with the public and insurance companies. With regard to statutory financial statements, mandatory application is deferred until 2006, however, companies may bring forward application to the year 2005. The application of IAS/IFRS to the statutory financial statements involves a series of considerations which your company is evaluating from the standpoint of both general disclosure

and the impact on net equity. In the preparation of these financial statements, account was taken of the transitory provisions and the implementation which the legislator issued under Legislative Decree No. 6 dated January 17, 2003 and subsequent integrations and amendments, as well as the orientation expressed by the supervising body and the Italian Accounting Board.

Comments in some notes are also dictated by the new standards which govern the preparation of the financial statements according to the aforementioned provisions.

With reference to compliance with the regulations regarding organization and internal control (Circular 216, VIth update 2002), the company sent the updates regarding the organizational report to Banca d'Italia by April 30, 2005.

During 2004, the company submitted, for control and monitoring, the implementation of the action plans recommended for charting the risks and analyses of the company processes performed in accordance with Legislative Decree No. 231 of 2001. The analysis of the model adopted for verifying the adequacy and effectiveness from an ex ante viewpoint has continued into 2005, partly in response to recent legal guidelines.

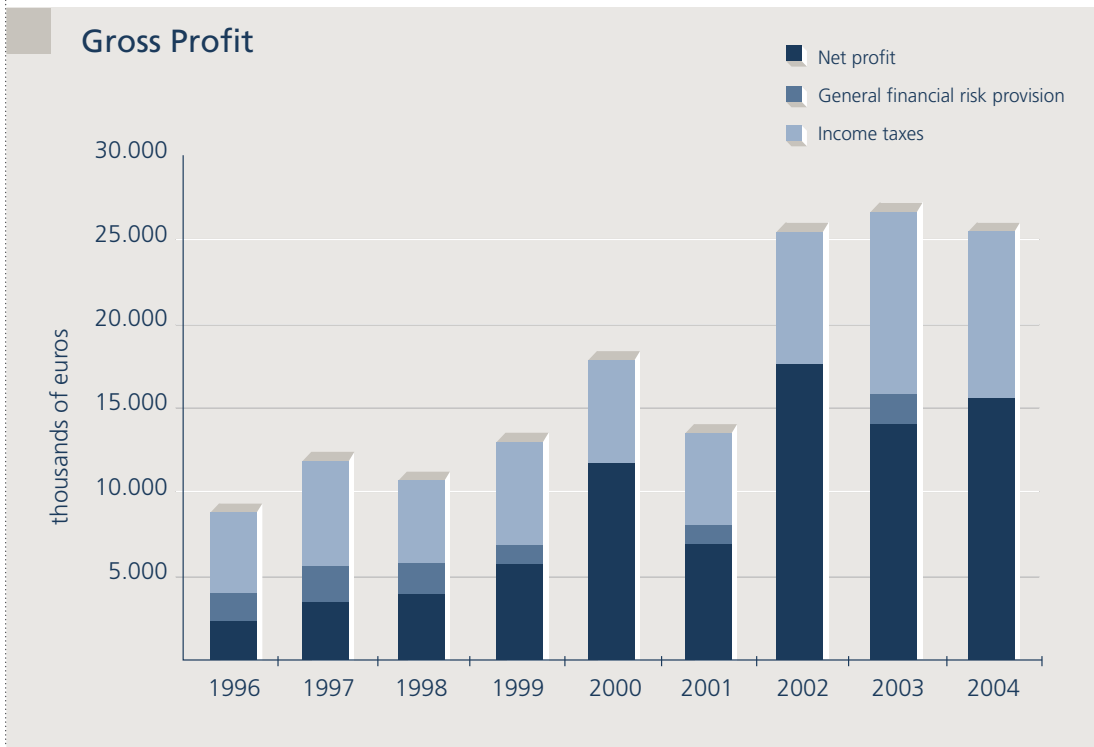
In accordance with art. 19 of Attachment B of Legislative Decree No. 193 of 2003 (technical regulation), the company updated the programming document on security by March 31, 2005.

Fondazione Farmafactoring

On July 28, 2004, Farmafactoring S.p.A. set up the Farmafactoring Foundation with the aim of promoting awareness on the subject of social-economic and financial problems associated with the world of welfare and health, in particular.

Performance during the year

The financial statements for the year ended December 31, 2004, which are submitted for your approval, show a net profit of Euros 15,610,414 after income taxes and Irap taxes of Euros 10,168,967.



Receivables assigned for management of their collection in 2004 amounted to Euros 3,262 million compared to Euros 2,346 million in 2003. The increase, equal to 39%, is due to the addition of new companies which have entrusted Farmafactoring with the management of not just their receivables from the National Health Service but also from the agencies of the public administration, in addition to higher purchases of receivables made in order to honor regional agreements and settlements.

Purchases of receivables without recourse totaled Euros 1,751 million compared to Euros 1,036 million in 2003, an increase of 69% over the prior year. In the fiscal year under examination, purchases of receivables with recourse amounted to Euros 44 million against Euros 60 million in the prior year.

Credit lines to finance the accounts receivable purchases increased by 38.5% over the previous year and total Euros 1,149 million.

During 2004, the company increased medium-term funding by 47% over the previous year.

Some of the transactions concluded during 2004 include the following:

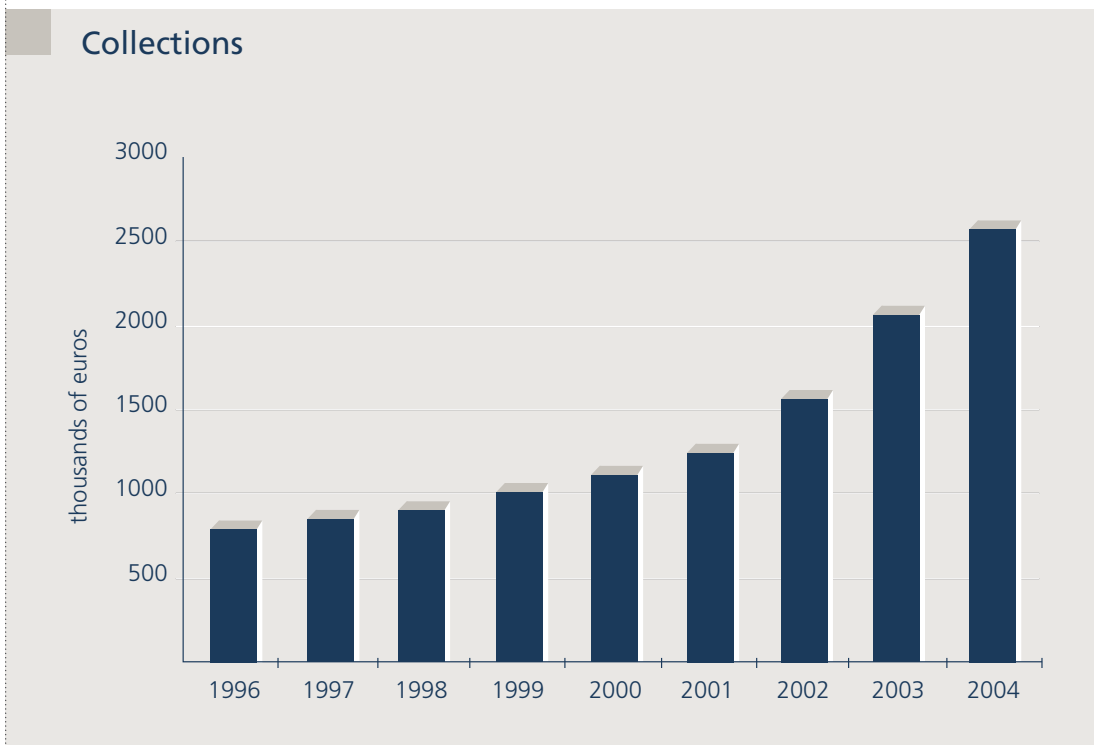
- A 36-month loan for Euros 95 million from a pool of banks with SANPAOLO IMI as the organizing and lead bank: Euros 30 million is a term loan facility and Euros 65 million is a revolving facility.

- A 36-month loan for Euros 80 million from MCC-Capitalia as the organizing and agent bank: Euros 32 million is a term loan facility and Euros 48 million is a revolving facility.
- Two 36-month loans for a total of Euros 45 million: Euros 30 million from WestLB AG as the financing and agent institute and Euros 15 million from Abaxbank as the agent bank.

Other direct loans were secured for an 18-month period with ordinary banking institutions, for a total of Euros 60 million.

Collections grew from Euros 2,184 million in 2003 to Euros 2,684 million in 2004, increasing 23% over the prior year. This was due to the higher volumes of receivables managed and purchased but also settlement agreements and transactions for the securitization of receivables. These transactions made it possible for the company to anticipate the collection times for receivables due from the ASLs (Local Health Service Agencies) and the AOs (Hospital Companies) with a high average number of days to payment. That resulted in a positive effect on this year's income statement of about Euros 7.5 million.

After having reached a framework agreement with the Lazio Region, in October 2004, your company carried out a securitization transaction for the receivables due from the regional ASLs (Local Health Service Agencies) and the AOs (Hospital Companies) for about Euros 194 million. Merrill Lynch was appointed as the arranger and the transaction took place through the sale of the receivables to a vehicle company set up especially for that purpose called FL Finance S.r.l. In December 2004, after concluding an agreement with the Abruzzi Region, receivables were sold to the financial company Regionale F.I.R.A., involving receivables of your company for about Euros 36 million.



Profit, balance sheet and financial review

Profit from ordinary operations totals Euros 46,549 thousand, an increase of 12.52% from the previous year. This increase is mainly due to greater activities regarding the purchase of receivables without recourse.

Contributing to the result is higher commission income which rose from Euros 50,061 thousand to Euros 58,271 thousand.

The most important component of commission income is that referring to purchases of receivables without recourse which grew from Euros 42,238 thousand to Euros 48,219 thousand, partly on account of the securitization of receivables from the ASLs (Local Health Service Agencies) of the Lazio Region. This transaction was structured in two phases: in the first phase, the company concluded a settlement agreement with delegation of payment to the Region for the deferred collection of receivables over five years and payment of compensation of a lump-sum amount of about Euros 20 million which the company booked in interest income and similar revenues; in the second phase, the company set up a securitization transaction under Law No. 130 dated April 30, 1999 and sold without recourse the entire amount of receivables due from the Lazio Region composed of principal and the lump-sum amount of compensation for a total of Euros 214 million. The sale of the receivables allowed the company to collect the amount of receivables all at once net of about Euros 22 million booked in interest expenses.

During the year, the above transaction gave rise to commission income for about Euros 2 million, otherwise chargeable to deferred income.

As for interest on late payments, Euros 8,946 thousand was booked to the income statement and contributed to the profit from ordinary operations.

Payroll expenses of Euros 3,514 thousand increased by 11.8% compared to the previous year chiefly as a result of the increase in the number of employees in conjunction with the growth of business.

Other administrative expenses of Euros 7,559 thousand increased by 34.55% compared to the previous year. This amount consists of administrative expenses of Euros 11,674 thousand net of other operating income of Euros 4,115 thousand. The increase is principally attributable to consulting fees for arranging the receivables securitization transaction.

Operating profit of Euros 35,476 thousand is Euros 2,868 thousand higher than the previous year. This increase of 8.80% can be ascribed to the previously mentioned purchases of receivables without recourse.

Depreciation of tangible assets and **amortization** of intangible assets total Euros 1,912 thousand, an increase of Euros 477 thousand from the prior year due mainly as a result of investments to arrange the office space of the building in Milan.

Such investments refer to a modification of the auditorium access area and changes to comply with the law and the renovation of the floor used by management.

In regards to the assets of the company, **receivables due from customers** amount to Euros 1,215,618 thousand, an increase of 50.71% over the previous year due to higher purchases of receivables without recourse.

Investments amount to Euros 27 thousand and refer to the purchase of Nomisma S.p.A. shares during the year. Such investment is stated at cost.

Net fixed assets amount to Euros 14,007 thousand, an increase of Euros 2,591 thousand from the previous year. This is due essentially to investments regarding the building in Milan and purchases of electronic machines and personal computers.

Due to banking institutions, financial institutions and liabilities represented by securities of Euros 698,757 thousand increased by Euros 139,601 thousand to meet the higher purchases of receivables without recourse recorded during the last part of the year.

Due to customers increased by Euros 213,913 thousand compared to the prior year. This is mainly due to an increase in the balance due to assignors and the purchase of receivables referring to the Lazio Region which will be paid during the course of 2005.

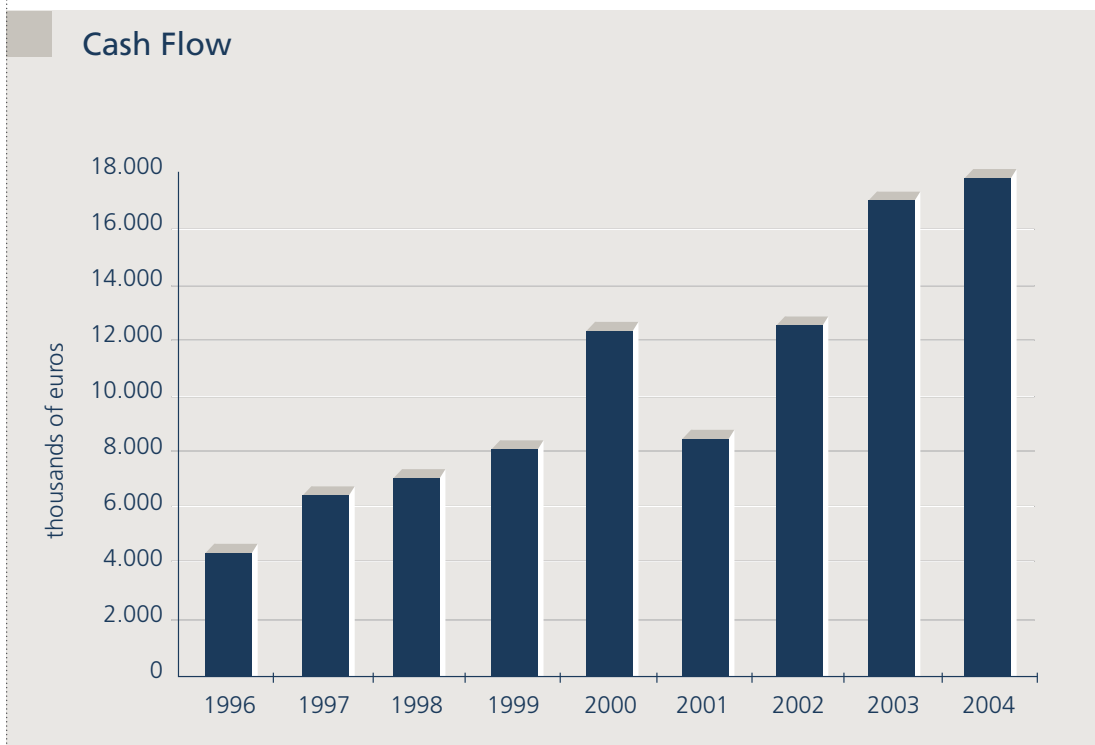
The other amounts which compose the balance refer to payables to assignors for receivables purchased with recourse for Euros 122 thousand and financial payables due to the parent company Confarma for Euros 7,100 thousand.

The **credit risk provision** amounts to Euros 21,513 thousand and the related accrual of Euros 7,300 thousand, as in prior years, takes into account only current potential uncollectible receivables and credit risks as described in the notes under the comments on "Item 90".

The **general financial risk provision**, stands at Euros 7,387 thousand and covers the general financial risk of the company.

Cash flows

Cash flows for the year, provided by net profit, depreciation and amortization and accruals to the employees' severance indemnity provision are Euros 17,689 thousand compared to Euros 17,183 thousand in the previous year.



The reclassified balance sheets and income statements compared to those of the prior year approved by the shareholders' meeting of May 10, 2004 are presented as follows:

Reclassified balance Sheet

	(in thousands of euros)			
	12.31.2004	12.31.2003	Change	%
Assets				
Cash on hand	14	214	(200)	(93.46)
Receivables:				
- due from banking institutions	43,573	46,204	(2,631)	(5.69)
- due from financial institutions	36,981	-	36,981	100.00
- due from customers	1,215,618	806,568	409,050	50.71
	1,296,186	852,986	443,200	51.96
Other current assets	19,373	9,223	10,150	110.05
<i>Total current assets</i>	<i>1,315,559</i>	<i>862,209</i>	<i>453,350</i>	<i>52.58</i>
<i>Fixed assets</i>				
Investments	27	27	0	0
Buildings	11,010	9,504	1,506	15.85
Office furniture and machines	6,698	5,016	1,682	33.53
Deferred charges	1,785	1,251	534	42.69
Less: accumulated depreciation/amortization	(5,513)	(4,382)	(1,131)	25.81
Total net fixed assets	14,007	11,416	2,591	22.70
Total assets	1,329,566	873,625	455,941	52.19
Liabilities and shareholders' equity				
Liabilities:				
- due to banking institutions	665,240	513,716	151,524	29.50
- represented by securities	33,517	45,440	(11,923)	(26.24)
- due to customers	238,613	24,700	213,913	866.04
	937,370	583,856	353,514	60.55
Other liabilities				
Accrued liabilities and deferred income	31,382	23,808	7,574	31.81
Sundry liabilities	8,332	7,271	1,061	14.59
Provisions for liabilities and expenses	18,862	10,872	7,989	73.48
Credit risk provision	21,513	14,213	7,300	51.36
General financial risk provision	7,387	7,387	0	0.00
<i>Total other liabilities</i>	<i>87,475</i>	<i>63,551</i>	<i>23,924</i>	<i>37.65</i>
<i>Total current liabilities</i>	<i>1,024,845</i>	<i>647,407</i>	<i>377,438</i>	<i>58.30</i>
Medium/long-term liabilities				
Employees' severance indemnity	868	864	4	0.46
Medium/long-term debt	228,500	163,000	65,500	40.18
<i>Total medium/long-term liabilities</i>	<i>229,368</i>	<i>163,864</i>	<i>65,504</i>	<i>39.97</i>
Total liabilities	1,254,213	811,271	442,942	54.60
Shareholders' equity				
Share capital	55,000	45,000	10,000	22.22
Reserves	4,115	3,436	679	19.76
Retained earnings	628	326	302	92.64
Net profit for the year	15,610	13,592	2,018	14.85
<i>Total shareholders' equity</i>	<i>75,353</i>	<i>62,354</i>	<i>12,999</i>	<i>20.85</i>
Total liabilities and shareholders' equity	1,329,566	873,625	455,941	52.19

Reclassified income statement

(in thousands of euros)

	12.31.2004	12.31.2003	Change	%
Income from ordinary operations				
Commission income	58,271	50,061	8,210	16.40
Interest income and similar revenues	30,976	13,318	17,658	132.59
	89,247	63,379	25,868	40.81
Financial expenses				
Interest expenses and similar charges	42,419	21,791	20,628	94.66
Commission expenses	279	219	60	27.40
	42,698	22,010	20,688	93.99
Profit from ordinary operations	46,549	41,369	5,180	12.52
Net operating expenses				
Payroll expenses	3,514	3,143	371	11.80
Other administrative expenses	7,559	5,618	1,941	34.55
	11,073	8,761	2,312	26.39
Operating profit	35,476	32,608	2,868	8.80
Accruals				
Depreciation and amortization	1,912	1,435	477	33.24
Accruals to credit risk provision	7,300	4,825	2,475	51.30
Accruals to general financial risk provision	0	2,000	(2,000)	(100.00)
Accruals to provisions for liabilities and expenses	383	64	319	498.44
<i>Total</i>	<i>9,595</i>	<i>8,324</i>	<i>1,271</i>	<i>15.27</i>
Extraordinary income (expenses)	(102)	(103)	1	(0.97)
Profit before taxes	25,779	24,181	1,598	6.61
Income taxes	10,169	10,589	(420)	(3.97)
Net profit for the year	15,610	13,592	2,018	14.85

Human resources

Employees numbered 56 at year-end. The breakdown of employees shows 3 managers, 12 officers and 41 staff. The number of employees increased by five compared to the prior year and is due to the growth of the business of the company.

Significant subsequent events

The company has certain transactions that are in the process of being concluded with ASLs (Local Health Service Agencies) and AOs (Hospital Companies) and Regional Agencies. The conclusion of these transactions will make it possible to bring forward the collection times of the receivables due from the Agencies that have high delays in payment.

In March 2005, the company was presented with the "Guido Carli/Lombard Elite" award for the second straight year as the best Italian factoring company.

Additional investments will be made during 2005 with the aim of optimizing the office space at the Milan headquarters.

There were no other significant events subsequent to the end of the year.

Future outlook

According to the guidelines dictated by the 2005 budget approved by the Board of Directors on January 22, 2005, Farmafactoring will continue the policy commenced in the past whereby its business will not be restricted solely to credit management deriving from the supply of pharmaceuticals or diagnostic products but will also be extended to other merchandise sectors or supplies of services. However, the economic scenario anticipated for 2005, which will have an impact on GDP growth and household purchasing power, would also affect the expectations of business growth.

Business developments

General policy

During 2004, investments were made in information technology for software applications, basic software and hardware to ensure the availability, continuity, performance and security of the systems.

The systems must cope with the ever increasing volume of data to be managed and growing requests for security (see Legislative Decree No. 196 dated June 30, 2003 and international standard BS 7799 - ISO/IEC 17799).

In particular, the following main projects were completed:

- full automation of procedures for the issue of debit notes for interest on late payments and procedures regarding the receivables purchased without recourse and receivables managed by us on behalf of assignors;
- review of the procedures of the Legal and Receivables Management offices for managing the risk status of assignors and debtors as required by Banca d'Italia;

- development of the software module of the factoring information system for managing securitization transactions;
- development of the software module of the factoring information system for managing the planning of visits and contacts by outside credit collection companies;
- development of a procedure that makes it possible to obtain an economic valuation (calculation of the residual margin) of the transactions that are planning to be entered into with debtors or with the Regions;
- activation of the new treasury management system (Teleos);
- continuation of activities to conform the corporate information systems with the provisions of international standard BS 7799 - ISO/IEC 17799 on information security (Business Continuity & Contingency Plan, Disaster Recovery Plan).

Transactions with the parent company and related parties

The company currently has a loan contract with the parent company Confarma S.p.A. for an amount of Euros 7,100 thousand, stipulated on the basis of normal market conditions. The company also has factoring arrangements with shareholder companies of the parent company at normal market conditions.

Other information required by Article 2428 of the Italian Civil Code

The Company does not possess treasury shares or quotas of the parent company, either directly, through individual trustees or trustee companies. There have been no significant events subsequent to year-end, apart from those already mentioned in the previous comments.

Proposed appropriation of net profit

Dear shareholders,

The financial statements for the year ending December 31, 2004, show a net profit of Euros 15,610,414. As for the appropriation of net profit, we submit the following proposal:

	(in euros)
Net profit	15,610,414
- 5% to the legal reserve	780,521
	14,829,893
To the shareholders	
Euros 2.75 for each of the 1,100,000 shares	3,025,000
to retained earnings	11,804,893

After the appropriation of the net profit, the Legal reserve will total Euros 4,807,337 and Retained earnings will amount to Euros 12,433,259.

You are also convened to the extraordinary session to vote on the bonus increase in share capital from Euros 55,000,000 to Euros 65,000,000 drawn from "Retained earnings" for Euros 10,000,000 and the contextual issue of 200,000 new shares.

After this increase, "Retained earnings" will be reduced to Euros 2,433,259.

The Board of Directors
The Chairman and CEO
Marco Rabuffi

Balance sheet

		(in euros)			
		12.31.2004	12.31.2003	Change	%
Assets					
10	Cash on hand	14,574	213,518	(198,944)	(93.17)
20	Due from banking institutions	43,572,503	46,204,381	(2,631,878)	(5.70)
	a) on demand	43,572,503	46,204,381	(2,631,878)	(5.70)
30	Due from financial institutions	36,981,015	0	36,981,015	100.00
	a) on demand	36,981,015	0	36,981,015	100.00
40	Receivables from customers	1,215,618,382	806,567,636	409,050,746	50.71
	of which: for factoring transactions	1,208,252,745	796,299,576	411,953,169	51.73
	of which: for factoring transactions at amounts other than nominal value	2,593,195	2,693,725	(100,530)	(3.73)
70	Investments	26,887	26,887	0	-
90	Intangible assets	1,785,286	1,251,454	533,832	42.66
	of which: share capital increase costs	0	10,449	(10,449)	(100.00)
100	Tangible assets	12,194,520	10,137,207	2,057,313	20.29
130	Other assets	18,382,596	8,350,906	10,031,690	120.13
140	Accrued income and prepaid expenses	990,103	873,455	116,648	13.35
	a) accrued income	2,540	0	2,540	100.00
	b) prepaid expenses	987,563	873,455	114,108	13.06
Total Assets		1,329,565,866	873,625,444	455,940,422	52.19

(in euros)

	12.31.2004	12.31.2003	Change	%
Liabilities and Shareholders' equity				
10 Due to banking institutions	893,738,000	676,716,454	217,021,546	32.07
a) on demand	23,000,000	31,049,454	(8,049,454)	(25.92)
b) term or notice	870,738,000	645,667,000	225,071,000	34.86
30 Due to customers	238,613,492	24,698,933	213,914,559	866.09
a) on demand	238,613,492	24,698,933	213,914,559	866.09
of which: for factoring transactions	121,979	1,977,464	(1,855,485)	(93.83)
40 Liabilities represented by securities	33,517,000	45,440,000	(11,923,000)	(26.24)
b) other securities	33,517,000	45,440,000	(11,923,000)	(26.24)
50 Other liabilities	8,331,788	7,270,889	1,060,899	14.59
60 Accrued liabilities and deferred income	31,382,140	23,808,456	7,573,684	31.81
a) accrued liabilities	1,069,451	1,010,685	58,766	5.81
b) deferred income	30,312,689	22,797,771	7,514,918	32.96
70 Employees' severance indemnity	868,332	864,278	4,054	0.47
80 Provisions for liabilities and expenses	18,860,553	10,872,287	7,988,266	73.47
b) provision for taxes	18,222,883	10,608,353	7,614,530	71.78
c) other provisions	637,670	263,934	373,736	141.60
90 Credit risk provision	21,513,295	14,213,295	7,300,000	51.36
100 General financial risk provision	7,387,366	7,387,366	0	-
120 Share capital	55,000,000	45,000,000	10,000,000	22.22
140 Reserves	4,115,120	3,435,506	679,614	19.78
a) legal reserve	4,026,816	3,347,202	679,614	20.30
d) other reserves	88,304	88,304	0	-
160 Retained earnings	628,366	325,709	302,657	92.92
170 Net profit for the year	15,610,414	13,592,271	2,018,143	14.85
Total Liabilities and Shareholders' equity	1,329,565,866	873,625,444	455,940,422	52.19

Income statement

(in euros)

	2004	2003	Change	%
Costs				
10 Interest expenses and similar charges	42,419,297	21,790,913	20,628,384	94.67
20 Commission expenses	278,957	219,258	59,699	27.23
40 Administrative expenses	15,188,175	11,681,457	3,506,718	30.02
a) payroll expenses of which:	3,514,289	3,143,570	370,719	11.79
- salaries and wages	2,529,315	2,258,433	270,882	11.99
- social security charges	817,944	728,905	89,039	12.22
- employees' severance indemnity	167,030	156,232	10,798	6.91
b) other administrative expenses	11,673,886	8,537,887	3,135,999	36.73
50 Depreciation and amortization	1,911,739	1,434,997	476,742	33.22
70 Accruals to provisions for liabilities and expenses	383,219	63,903	319,316	499.69
80 Accruals to credit risk provision	7,300,000	4,825,111	2,474,889	51.29
110 Extraordinary expenses	239,206	277,478	(38,272)	(13.79)
120 Accrual to general financial risk provision	0	2,000,000	(2,000,000)	(100.00)
130 Income taxes	10,168,967	10,589,370	(420,403)	(3.97)
140 Net profit for the year	15,610,414	13,592,271	2,018,143	14.85
Total Costs	93,499,974	66,474,758	27,025,216	40.65

(in euros)

	2004	2003	Change	%
Revenues				
10 Interest income and similar revenues	30,976,388	13,318,148	17,658,240	132.59
of which:				
- for factoring transactions	30,020,499	12,770,167	17,250,332	135.08
30 Commission income	58,270,915	50,061,597	8,209,318	16.40
70 Sundry operating income	4,115,679	2,919,625	1,196,054	40.97
80 Extraordinary income	136,992	175,388	(38,396)	(21.89)
Total Revenues	93,499,974	66,474,758	27,025,216	40.65

To the Shareholders,

The financial statements for the year ended December 31, 2004, which we have submitted for your approval, have been drawn up in accordance with the provisions of Legislative Decree No. 87, of January 27, 1992, and with the regulations issued by Banca d'Italia on July 31, 1992. The financial statements present a true and fair view of the company's financial position and results of operations.

The Directors' Report on operations describes the performance of the company during the year as well as any significant events subsequent to the year-end.

We would like to point out that the extraordinary shareholders' meeting of September 22, 2004 entrusted the Board of Statutory Auditors with the accounting control of the company, pursuant to art. 2409 bis, paragraph 3 of the Italian Civil Code and art. 27 of the bylaws.

The financial statements have been subjected to a voluntary audit by KPMG S.p.A. and the independent auditors' report is attached herein.

Beginning from this year, the audit firm of KPMG S.p.A. has extended its audit to the consolidated financial statements of the parent company Confarma S.p.A., pursuant to art. 2409 bis, paragraph 3 of the Italian Civil Code, for purposes of accounting control.

Consistent with prior years, the notes to financial statements are accompanied by the Directors' Report on operations, the statement of changes in shareholders' equity and the statement of cash flows.

a) Summary of significant accounting policies

The components of the balance sheet and income statement have been valued in accordance with the general principles of prudence, using accrual basis accounting and following the going-concern concept and have been applied on a basis consistent with the prior year.

Receivables

Receivables from assignors, receivables purchased without recourse, and receivables purchased with recourse are recorded at nominal value, which represents estimated realizable value.

Receivables purchased at other than nominal value are recorded at their purchase cost.

The credit risk provision, recorded in item 90 in the liabilities of the balance sheet, covers those risks considered only potential in respect of outstanding receivables at year-end and is not directly charged against the asset account.

Investments

Investments are stated at the historical purchase cost and adjusted for any permanent impairment in value.

Intangible assets

Intangible assets are recorded at purchase cost and amortized using the direct method on the basis of the estimated period of future benefit or, if not otherwise determinable, over a period not exceeding five years.

Other assets and liabilities

These are stated at nominal value. "Deferred tax assets" are recorded in "Other assets".

Tangible assets

Tangible assets are recorded at acquisition cost, including incidental expenses directly attributable to the assets. Depreciation is calculated over the estimated useful life of the asset and charged to the income statement starting from the year the asset comes into use.

The following depreciation rates have been applied to the different asset categories and basically reflect the estimated useful lives of the assets:

Buildings	3%
Internal plant	25%
Alarm systems	30%
Furniture and fixtures	12%
Office equipment	20%
Sundry furnishings and equipment	15%

Additions to tangible assets during the year are depreciated at half the normal rate. Assets with a per unit value of less than Euros 516.46, since these are considered minor amounts, are charged directly to the income statement in the year of purchase. Ordinary maintenance expenses are charged directly to the income statement.

Accruals, deferrals and prepayments

These are stated on the accrual basis and matching principle. The commissions on receivables purchased without recourse are deferred over the collection period stated in the contract.

Liabilities

Liabilities are stated at nominal value, equal to the repayment value.

Employees' severance indemnity

Employees' severance indemnity represents the liability matured in respect of employees in accordance with labor contracts and the law, net of any advances paid.

Provision for taxes

Income taxes are accrued on the basis of the estimated taxable income for the year. No deferred taxes have been provided on the accruals made in prior years to the General financial risk provision, in accordance with generally accepted accounting principles, since no transactions are expected to be entered to that would warrant taxation.

Recognition of income from factoring transactions

Income from factoring transactions is credited to the income statement on the accrual basis in the following manner:

- Commissions on the management of receivables collection on behalf of assignors are recorded at two successive times: when the receivables are entrusted for management and when the receivables are collected, according to the contractual agreements;
- Commissions on receivables purchased without recourse are recorded on the date the contract is executed. Commissions on receivables purchased without recourse and not yet collected at year-end are adjusted on the basis of agreed collection times.

Interest on late payments of receivables

Interest on late payments is calculated on receivables purchased without recourse according to existing laws.

Given the uncertainty of the date of collection and the amount that will be paid, receivables for interest on late payments referring to the year are entirely written off by setting up a specific provision that is deducted from the corresponding asset account.

Off-balance sheet financial instruments

Off-balance sheet financial instruments used to hedge interest rate risks (Fra, Irs, Collars) are valued consistently with the asset and liability positions that are hedged.

b) Notes to the balance sheet

Assets

10. Cash on hand

Euros 14,574

The balance shows a decrease of Euros 198,944. Cash on hand is represented by the cash fund and liquidity on the postal account.

20. Due from banking institutions

Euros 43,572,503

Due from banking institutions represents the current bank account balances of the company at December 31, 2004. The item includes liquidity deriving from collections received in the final days of the year relating to both receivables collection "management" and "receivables purchased without recourse", until such time as they are finalized. There was a decrease of Euros 2,631,878 compared to the prior year. The balance consists of amounts due on demand and, therefore, is included in the short-term category "up to three months".

30. Due from financial institutions

Euros 36,981,015

This amount mainly refers to a sale of receivables to the financial company Regionale F.I.R.A. which took place towards the end of the year after sealing an agreement with the Abruzzi Region on the receivables due by the company from the ASLs (Local Health Service Agencies).

40. Receivables from customers

Euros 1,215,618,382

Receivables from customers increased overall by Euros 409,050,746 due to higher purchases of receivables without recourse due from the Public Administration during the last months of the year. The analysis of receivables included in the balance is as follows:

- Receivables for factoring transactions: Euros 1,208,252,745. These consist of receivables purchased without recourse amounting to Euros 1,207,659,707 and receivables purchased with recourse amounting to Euros 584,573. Both receivables purchased without recourse and receivables purchased with recourse were purchased at nominal value.

- Receivables for factoring transactions purchased at amounts other than nominal value total Euros 2,593,195 and decreased by Euros 100,530 compared to 2003.
- Loans receivable from assignors: Euros 1,124,083. These consist of the advances made against receivables entrusted for collection management.
- Income receivable from assignors to be invoiced: Euros 1,635,305. These include interest and commissions earned in 2004, but invoiced in 2005.
- Legal fees receivable from assignors: Euros 2,012,902. These refer to receivables for advances made on behalf of assignors.
- Receivables for interest on late payments matured at December 31, 2004 amount to Euros 116,384,546 and were entirely written off by an accrual to the provision for interest on late payments of the same amount.

Uncollectible receivables and interest on late payments of receivables

As in previous years, it should be emphasized that all receivables, as regards principal, while taking into account the company's particular business and the components of risk mentioned under item 90), are considered collectible.

Legal action has been taken with the aim of accelerating credit recovery, although no adjustment has been made to receivables at December 31, 2004, as regards principal, in view of the solvency of the debtors. As in prior years, it was decided to set aside an additional amount in the "credit risk provision" to cover only potential risks.

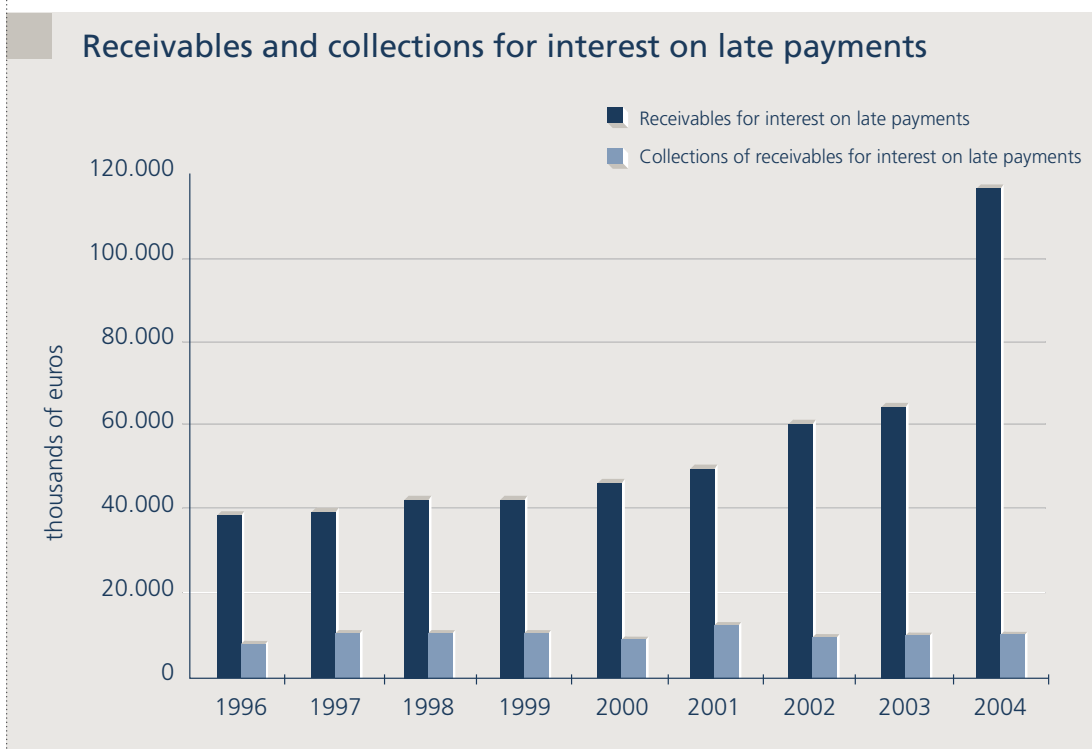
As commented earlier, given the uncertainty and the difficulty of establishing the collectibility of the interest earned on late payments, the interest is prudently recorded in the income statement only when collection is effectively received.

Such prudent criteria tends to make up for any deficiency in deferred income in item 60 b) of the liabilities, also taking into account the "Credit risk provision" and the "General financial risk provision".

The provision for interest on late payments shows the following movements during the year:

	euros
Balance at December 31, 2003	64,338,545
Interest collected during year	(8,946,017)
Net increase during year	60,992,018
Balance at December 31, 2004	116,384,546

During the year, certain agreements were executed with ASLs (Local Health Service Agencies) and AOs (Hospital Companies) of the Lazio and Abruzzi Regions regarding receivables of more than Euros 300 million due from entities with extremely lengthy delays in payment times. These agreements, which made it possible to anticipate the collection times of receivables, with regard to principal, gave rise to interest income on late payments for the company of about Euros 3 million against an amount matured of about Euros 13 million. The change in receivables for interest on late payments and collections is shown in the following table:



The increase in receivables for interest on late payments in 2004 is basically due to the increase in receivables purchased without recourse and the application of interest rates for late payments according to the provisions of Legislative Decree 231/2002.

An analysis of receivables from customers at December 31, 2004 is provided by maturity date as follows:

Maturity	Amount	euros
Up to three months	4,772,290	
From three months to one year	0	
From one to five years	0	
Unspecified maturity	1,210,846,092	
Total	1,215,618,382	

70. Investments

Euros 26,887

The balance refers to Nomisma S.p.A. shares.

Key data regarding the investment is as follows:

Description	Book Value	No. of shares held	Par value per share	% investment
Nonisma S.p.A.	26,887	72,667	0.37	0.503%

90. Intangible assets

Euros 1,785,286

Changes in intangible assets can be summarized as follows:

euros	
Beginning balance	1,251,454
Increases	
Acquisitions	1,216,643
Reinstatements	
Revaluations	0
Other changes	4,648
Decreases	
Disposals	4,648
Value adjustments:	
a) amortization	682,811
b) permanent impairments	0
Ending balance	1,785,286
Total adjustments	0
a) amortization	5,004,729
b) permanent impairments	0

euros			
	Historical cost	Accumulated Amortization	Net book value
Company brand	11,224	11,224	0
Data transmission system	149,732	103,767	45,965
Restructuring costs	123,428	76,817	46,610
Leasehold improvements	2,720,937	1,353,881	1,367,057
Studies and research	89,777	89,777	0
Investment in new EDP programs	3,547,275	3,221,621	325,654
Share capital increase costs	147,642	147,642	0
Total	6,790,015	5,004,729	1,785,286

An analysis of intangible assets shows the following changes:

euros				
	12.31.2003	Increase	Decrease	12.31.2004
Data transmission system	34,681	26,574	15,290	45,965
Restructuring costs	69,920	0	23,310	46,610
Leasehold improvements	903,154	912,575	448,672	1,367,057
Investment in new EDP programs	233,251	277,494	185,091	325,654
Share capital increase costs	10,448	0	10,448	0
Total	1,251,454	1,216,643	682,811	1,785,286

The most important increase in 2004 relates to leasehold improvements to the building and refers to the renovation of the floor used by management and logistics and technological changes to the entrances of the building in Milan.

100. Tangible assets

Euros 12,194,520

Changes in tangible assets can be summarized as follows:

euros	
Beginning balance	10,137,207
Increases	
Acquisitions	3,300,265
Reinstatement of values:	
Revaluation	0
Other changes	0
Decreases	
Disposals	14,025
Value adjustments:	
a) depreciation	1,228,927
b) permanent impairments	0
Ending balance	12,194,520
Revaluation	
Total adjustments:	
a) depreciation	5,514,159
b) permanent impairments	0

Tangible assets consist of the following items:

euros			
	Gross asset value	Accumulated depreciation	Net book value
Buildings	11,010,390	1,717,057	9,293,333
Internal plant	1,749,825	964,779	785,046
Furniture and fixtures	1,290,320	811,769	478,551
Office equipment	2,354,693	1,813,984	540,709
Furnishings	1,164,430	151,703	1,012,727
Equipment	116,892	49,335	67,557
Motor vehicles	22,129	5,532	16,597
Total	17,708,679	5,514,159	12,194,520

Tangible assets are recorded at the historical cost of purchase plus directly related charges. There have been no revaluations, either monetary or economic, to the company's assets. Changes in each category of tangible assets are provided in the following tables.

Changes in the gross value of tangible assets can be summarized as follows:

euros				
Gross asset value	12.31.2003	Purchase	Disposal	12.31.2004
Buildings	39,503,925	1,506,465	0	11,010,390
Internal plant	1,071,604	683,754	5,532	1,749,825
Furniture and fixtures	1,016,788	273,532	0	1,290,320
Office equipment	1,943,039	501,614	89,962	2,354,693
Furnishings	906,232	258,198	0	1,164,430
Equipment	62,319	54,573	0	116,892
Motor vehicles	15,055	22,129	15,055	22,129
Total	14,518,962	3,300,265	110,549	17,708,679

Purchases made in 2004 refer to investments increasing the value of the building in Milan with changes to the area around the auditorium entrance and refurbishment of the roof of the building.

Purchases of plant include the construction of an elevator to overcome architectural barriers, which is part of the investment to modify the entrance area to the auditorium, and upgrading of the electrical systems of the building to comply with current laws.

	euros			
Accumulated depreciation	12.31.2003	Increase	Decrease	12.31.2004
Buildings	1,303,739	413,318	0	1,717,057
Internal plant	685,606	284,705	5,532	964,779
Furniture and fixtures	667,036	144,733	0	811,769
Office equipment	1,525,462	364,459	75,937	1,813,984
Furnishings	148,045	3,658	0	151,703
Equipment	36,813	12,522	0	49,335
Motor vehicles	15,055	5,532	15,055	5,532
Total	4,381,755	1,228,927	96,524	5,514,159

Changes in the net book value of tangible assets are shown as follows:

	euros			
Net book value	12.31.2003	Increase	Decrease	12.31.2004
Buildings	8,200,186	1,506,464	413,318	9,293,332
Internal plant	385,998	678,221	279,173	785,046
Furniture and fixtures	349,753	273,533	144,733	478,553
Office equipment	417,577	411,654	288,522	540,709
Furnishings	758,186	258,197	3,658	1,012,725
Equipment	25,507	54,573	12,522	67,558
Motor vehicles	0	7,074	(9,523)	16,597
Total	10,137,207	3,189,716	1,132,403	12,194,520

130. Other assets

Euros 18,382,596

Compared to the prior year, this item increased by Euros 10,031,690 due primarily to higher on-account tax payments made during the year and the increase in deferred tax assets.

The total is made up of the following items:

	euros	
	12.31.2004	12.31.2003
Receivables from tax authorities:		
- Withholding taxes receivable	137,000	134,390
- Ires and Irap on-account payments	10,087,078	7,857,938
- Deferred tax assets	8,002,112	111,877
- Advances paid against employees' severance indemnity	19,952	32,900
Total receivables from tax authorities	18,246,142	8,137,105
Supplier and legal advances	12,648	61,961
Security deposits and similar	123,806	151,840
Balance at December 31, 2004	18,382,596	8,350,906

Deferred tax assets have been calculated using the rate of 33% for Ires and 5.25% for Irap for 2005 and the years thereafter.

The movements in deferred tax assets are as follows:

		euros
1- Beginning balance		111,876
2 - Increase:		
2.1 Deferred tax assets arising during year	7,960,547	
2.2 Other increases	0	
		7,960,547
3 - Decrease:		
3.1 Deferred tax assets reversing during year	70,311	
3.2 Other decreases	0	
		(70,311)
4 - Ending balance		8,002,112

The following table shows the detailed change in deferred tax assets and the rate applied for each category:

				euros
	Amount of temporary differences	Rate		Tax effect
Entertainment expenses	116,139	38.25%		44,423
Maintenance	76,622	38.25%		29,308
Accrual to the "provisions for liabilities and expenses"	69,422	33.00%		22,909
Other	39,834	38.25%		15,237
Deferred tax assets at 12.31.2003	302,017			111,877
Reversals of deferred taxes in 2004:				
Entertainment expenses	(47,134)	38.25%		(18,030)
Maintenance	(76,622)	38.25%		(29,308)
Accrual to the "provisions for liabilities and expenses"	(69,422)	33.00%		(22,909)
Other	(170)	38.25%		(65)
(-) Reversals of deferred taxes in 2004	(193,348)			(70,312)
Deferred tax benefits in 2004:				
Entertainment expenses	43,176	38.25%		16,516
Financial expenses for securitization FL Finance S.r.l.	20,428,677	38.25%		7,813,969
Accrual to the "provisions for liabilities and expenses"	300,000	38.25%		114,750
Accrual to the provision for liabilities and expenses for the effect on 2004 of renewal of the National Labor Contract	40,000	33.00%		13,200
Other	5,524	38.25%		2,112
(+) Deferred tax benefits in 2004	20,817,377			7,960,547
Deferred tax assets at 12/31/2004:				
Entertainment expenses	112,181	38.25%		42,910
Maintenance	-	38.25%		-
Financial expenses for securitization FL Finance S.r.l.	20,428,677	38.25%		7,813,969
Accrual to the "provisions for liabilities and expenses"	300,000	38.25%		114,750
Accrual to the provision for liabilities and expenses for the effect on 2004 of renewal of the National Labor Contract	40,000	33.00%		13,200
Other	45,188	38.25%		17,284
Deferred tax assets at 12.31.2004	20,926,046			8,002,112

The most significant item refers to Euros 7,813,969 for the financial expenses connected with the receivables securitization transaction with FL Finance S.r.l. Such expenses were fully charged to the income statement - since they refer to income for the commissions and the compensation received and recorded in the same year - but which, from a tax standpoint, are only deductible proportionally over the five-year period of the securitization transaction. Deferred tax assets do not include the tax effect of the accrual to the General financial risk provision; the relative amount at December 31, 2004 would have been Euros 2,825,000, of which Euros 765,000 arose in 2003 and the difference in prior years.

140. Accrued income and prepaid expenses

Euros 990,103

a) Accrued income *Euro 2,540*

b) Prepaid expenses *Euros 987,563*

Prepaid expenses consist of commissions on loans of Euros 722,993, interest on commercial paper of Euros 93,546 and maintenance and other minor amounts of Euros 171,024.

There are no amounts in foreign currencies included in the assets.

Liabilities and Shareholders' equity

10. Due to banking institutions

Euros 893,738,000

a) on demand *Euros 23,000,000*

This represents the exposure with banking institutions referring to loans on demand of Euros 23,000,000.

b) term or notice *Euros 870,738,000*

The item shows the year-end balance of loans granted to the company by banking institutions. Debt with banking institutions increased by Euros 217,021,546 compared to the prior year due to higher purchases.

Debt on term or notice with banking institutions is as follows:

	euros
Maturity	Amount
Up to three months	462,238,000
From three months to one year	125,000,000
From one to five years	283,500,000
Unspecified maturity	
Total	870,738,000

30. Due to customers

Euros 238,613,492

a) on demand Euros 238,613,492

The amounts due to customers show an increase of Euros 213,914,559 compared to December 31, 2003 mainly due to the purchase of receivables referring to the ASLs (Local Health Service Agencies) of the Lazio Region; payment will be made during 2005. The item includes amounts due to assignors for receivables purchased with recourse of Euros 121,979, an amount due to the parent company, Confarma S.p.A. for a loan received of Euros 7,100,000 and other amounts due of Euros 104,593.

The following is an analysis of amounts due, by type and maturity date, as of December 31, 2004:

Maturity	euros			
	Banking	Financial	Customers	Total
Up to three months	485,238,000	0	238,613,492	723,851,492
From three months to one year	125,000,000	0	0	125,000,000
From one to five years	283,500,000	0	0	283,500,000
Over five years	0	0	0	0
Unspecified maturity	0	0	0	0
Total	893,738,000	0	238,613,492	1,132,351,492

40. Liabilities represented by securities

Euros 33,517,000

b) Other securities Euros 33,517,000

This item refers to commercial paper and indicates recourse to the market for this form of financing; the balance decreased by Euros 11,923,000 compared to the prior year.

Maturity	euros
	Amount
Up to three months	33,517,000
From three months to one year	0
From one to five years	0
Unspecified maturity	0
Total	33,517,000

50. Other liabilities

Euros 8,331,788

Compared to the previous year, other liabilities increased by Euros 1,060,899 mainly as a result of the increase in collections pending allocation which rose from Euros 1,848,785 to Euros 2,750,583 and the posting of invoices to be received for the last period of the year.

Other liabilities include:

	euros
Collections pending allocation	2,750,583
Invoices to be received for interest payable to assignors	329,442
Invoices to be received for payables to consultants and professionals	1,887,390
Trade payables and invoices to be received	2,375,077
Collections received on behalf of others to be paid out	84,344
Accrued compensation to employees	382,149
Withholding taxes on payrolls and self-employed work	331,187
Payable to social security agencies	146,603
Other minor amounts	45,013
Total	8,331,788

Trade payables refer to amounts owing for the purchase of supplies and services. Other liabilities are all due within one year.

60. Accrued liabilities and deferred income

Euros 31,382,140

a) accrued liabilities *Euros 1,069,451*

The item primarily refers to accrued interest on loans for Euros 900,473, costs on financial derivative contracts to hedge risks for Euros 141,165 and general expenses for Euros 27,813.

b) deferred income *Euros 30,312,689*

The item primarily refers to the portion of commission income on receivables purchased without recourse, recorded under the accrual principle, on the basis of the agreed average duration of the receivables purchased without recourse and not yet collected at year-end, to be considered in relation to future costs: financial, legal and structure costs for the management of receivables up to the time of actual collection.

70. Employees' severance indemnity

Euros 868,332

This covers all amounts to which employees are entitled at December 31, 2004; the following changes took place during the year:

	euros
Balance at December 31, 2003	864,278
Used for payments upon termination of employment	0
Advance payments	(115,200)
Used for pension fund	(47,776)
Accruals	167,030
Balance at December 31, 2004	868,332

80. Provisions for liabilities and expenses

Euros 18,860,553

These include:

b) Provision for taxes Euros 18,222,883

The movements in the provision are as follows:

	euros
Balance at December 31, 2003	10,608,353
Accruals	18,059,203
Used for tax payments	(10,444,673)
Balance at December 31, 2004	18,222,883

Accruals were provided during the year on the basis of the estimated tax charges for the current year: Ires taxes of Euros 15,392,704 and Irap taxes of Euros 2,666,499.

c) Other provisions Euros 637,670

The amount of Euros 637,670 includes Euros 258,518 of accrued holiday pay, Euros 40,000 for the effects on 2004 of the renewal of the collective national labor contract and Euros 39,152 of accruals for legal and other costs.

An accrual of Euros 300,000 was set aside during the year for the expenses and charges referring to the project for the securitization of receivables with the vehicle company Farma Finance S.r.l.

The movements in the provision are as follows:

	euros
Balance at December 31, 2003	263,934
Used during the year	(9,483)
Accruals	383,219
Balance at December 31, 2004	637,670

90. Credit risk provision

Euros 21,513,295

The provision has the aim of covering potential credit risks existing at the end of the year and is therefore not used for adjustment purposes.

This provision, consequently, merely serves as a protective measure against credit risks.

In this sense, account should be taken of certain business and commercial factors which can have an effect on the context in which the company operates and on the credit risk profile, such as:

- the change in the organization of the National Health Service and the decentralization of the Regions;
- the different degree of credit risk from one Region to another;

- the expansion of the company's business which has changed, in qualitative terms, the volume of receivables purchased without recourse not only with the National Health Service but also with the Public Administration in general;
- the extension of the range of users to companies operating in different sectors, with regard to the assignment of receivables without recourse;
- the tendency of public debtors to extend the payment times to beyond the average times used as the basis for the computation of deferred income under item 60 b.

Changes to the credit risk provision during the year are as follows:

	euros
Balance at December 31, 2003	14,213,295
Used during the year	0
Accruals	7,300,000
Balance at December 31, 2004	21,513,295

100. General financial risk provision

Euros 7,387,366

The provision covers the general financial risks of the company. Changes during the year are as follows:

	euros
Balance at December 31, 2003	7,387,366
Used during the year	0
Accruals	0
Balance at December 31, 2004	7,387,366

There are no amounts in foreign currencies included in the liabilities.

120. Share capital

Euros 55,000,000

Share capital consists of 1,100,000 ordinary shares with a par value of Euros 50 each.

The shareholders, in the extraordinary shareholders' meeting of May 10, 2004, passed a resolution to increase share capital from Euros 45,000,000 to Euros 55,000,000 in the form of a bonus increase drawn from retained earnings.

140. Reserves

Euros 4,115,120

a) Legal reserve Euros 4,026,816

The increase of Euros 679,614 over the previous year is due to the appropriation of net profit for the year ending December 31, 2003, as voted by the shareholders' meeting on May 10, 2004.

d) Other reserves Euros 88,304

The balance of Other reserves has remained unchanged compared to the prior year.

160. Retained earnings

Euros 628,366

The increase of Euros 302,657 compared to the prior year is due to the appropriation of the net profit for the year ended December 31, 2003 as voted by the shareholders' meeting on May 10, 2004; movements are as follows:

	euros
Balance at December 31, 2003	325,709
Appropriation of net profit	10,302,657
Drawn for share capital increase	10,000,000
Balance at December 31, 2004	628,366

The statement of changes in shareholders' equity in the last three years is presented in Other statements.

Except for the Legal reserve, all the other reserves are distributable without restrictions.

Commitments

The company has received sureties from banks for Euros 33,517,000 against outstanding commercial paper at year-end.

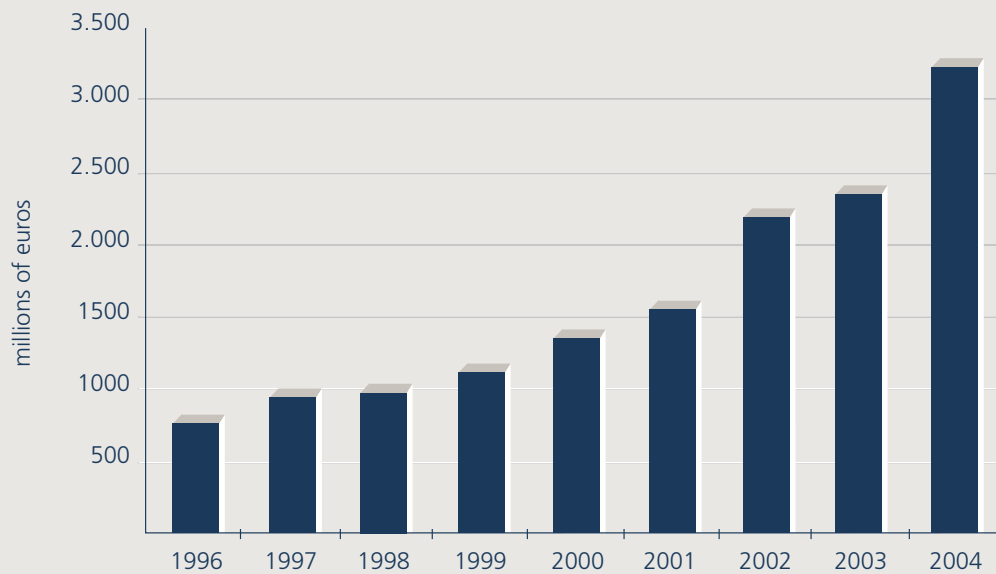
Guarantees

The company has received guarantees, against receivables purchased without recourse, for Euros 206,374,529.

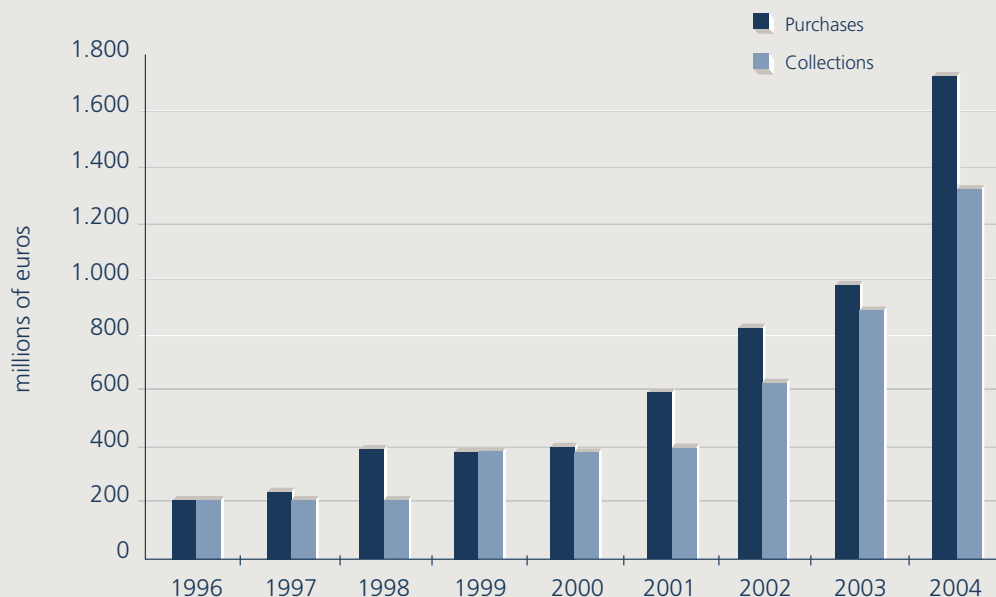
c) Comments on factoring transactions

During the year 2004, the Company was entrusted with the management of the collection of receivables for Euros 3,262 million, purchased receivables without recourse for Euros 1,751 million and purchased receivables with recourse for Euros 44 million. At December 31, 2004, outstanding receivables under collection management totaled Euros 1,489 million, while the amount of receivables purchased with recourse amounted to Euros 0.6 million and advances made against receivables with recourse amounted to Euros 0.5 million.

Receivables entrusted for Management



Purchases and Collections of Receivables without Recourse



Off-balance sheet financial instruments

Off-balance sheet transactions used for hedging loans at year-end include interest rate swaps and collars (cap-floor).

Financial hedging instruments outstanding at December 31, 2004 show a notional amount of Euros 110 million, of which Euros 45 million was put into place during the year compared to Euros 67.5 million in 2003. These refer to simple IRSs (Interest Rate Swaps), IRS step-ups, IRS forwards and collars, all for hedging purposes.

The fact that derivative financial instruments were used to a lesser extent in 2004 is due to the transaction for the securitization of the receivables of the Lazio Region (FL Finance S.r.l.) and additional transactions with the regions which will shortly take place.

	euros
Maturity	Amount
From 0 to 12 months	55,000,000
From 12 to 18 months	20,000,000
From 18 to 36 months	35,000,000
Total	110,000,000

Contracts are shown at their notional amount.

The costs relating to transactions to hedge interest rate risk are booked in interest expenses and similar charges.

d) Notes to the income statement

Costs

10. Interest expenses and similar charges

Euros 42,419,297

These primarily refer to interest on loans received from banking institutions and financial institutions, with an increase of Euros 20,628,384 compared to the previous year. The difference compared to 2003 is partly due to financial expenses, for Euros 22,203,223, relative to the receivables securitization transaction with the vehicle company FL Finance S.r.l.

Description	euros			
	Banking institutions	Financial institutions	Customers	Total
Bank accounts and short money	12,181,732	0	0	12,181,732
Other loans	0	0	341,482	341,482
Financial expenses on securitization transaction	0	22,203,223	0	22,203,223
Commercial paper	1,089,332	0	0	1,089,332
Medium-term loan	4,669,960	0	0	4,669,960
Similar charges	1,933,568	0	0	1,933,568
Totale	19,874,592	22,203,223	341,482	42,419,297

Interest expenses relating to customers include the amount that will be paid to the assignors because of the different value dates with which the amounts collected are credited to their bank statements for Euros 208,293 and interest on the loan from the parent company Confarma S.p.A. for Euros 133,189. Similar charges include the costs of hedging interest rate risks for Euros 1,251,991.

20. Commission expenses

Euros 278,957

These include banking charges and commissions.

40. Administrative expenses

Euros 15,188,175

These refer to the following:

	euros
Payroll expenses	3,514,289
Other administrative expenses	
Legal expenses	1,880,707
EDP services	536,016
Outside credit management services	638,492
Directors' and statutory auditors' compensation	340,489
Rent, services and office operating costs	337,304
Consulting	1,783,946
Legal expenses for credit management	2,338,560
Notary public expenses	598,144
Advertising and entertainment expenses	335,360
Maintenance expenses	924,742
Other staff costs	253,058
Non-deductible VAT	953,652
Other taxes	67,960
Other expenses	685,456
Total other administrative expenses	11,673,886
Total	15,188,175

This item includes legal expenses of Euros 2,338,559 incurred on behalf of the assignor companies which were entirely recovered and included in other operating income. The increase in administrative expenses over 2003 is Euros 3,506,718.

130. Income taxes

Euros 10,168,967

	euros
A Current income taxes	18,059,203
B Deferred income taxes:	
- deferred tax expense arising during the year	0
- deferred tax benefit arising during the year	(7,960,547)
- adjustments to deferred tax balances:	
reversal of deferred taxes during the year	70,311 (7,890,236)
Total	10,168,967

Revenues

10. Interest income and similar revenues

Euros 30,976,388

These include the following:

	euros
For factoring transactions	
- Interest collected on late payments of receivables (below)	8,946,017
- Interest on receivables with recourse	153,323
- Interest on receivables from customers	1,108,566
- Compensation from the Lazio Region	19,812,592
	30,020,498
Interest from banking institutions	505,669
Other interest	450,221
Total	30,976,388

Interest on late payments of receivables consists of the following:

	euros
- Interest collected on late payments of receivables referring to prior years	8,946,017
- Net increase of interest on late payments	60,992,018
- Accrual to the provision for interest on late payments	(60,992,018)
Total	8,946,017

Interest income increased by Euros 17,658,240.

Part of the increase is due to the compensation of Euros 19,812,592 paid to the company under the settlement agreement with the Lazio Region and the ASLs (Local Health Service Agencies) for the deferred payment of Farmafactoring receivables, with the subsequent delegation of payment to the Region itself.

The agreement was instrumental to the securitization of the receivables to the vehicle company FL Finance S.r.l. Other interest includes Euros 383,118 for interest received from the arranger on this transaction.

Interest from banking institutions includes interest on deposits at banking institutions. Interest on receivables from customers relates to interest charged to the assignors for items debited during the year.

20. Commission income

Euros 58,270,915

This refers to:

	euros
Commissions on receivables purchased without recourse	48,219,344
Commissions on receivables under management	10,051,571
Total	58,270,915

The item increased by Euros 8,209,318 over the previous year, primarily due to the increase in receivables purchased without recourse.

The commissions earned include the positive effect on the year for the amount connected with the securitization of receivables with the company F.L. Finance S.r.l.

70. Sundry operating income

Euros 4,115,679

The item includes:

	euros
Recovery of legal fees on receivables without recourse	1,443,230
Recovery of legal fees on receivables under management	2,338,560
Realized value of receivables at amounts other than nominal value	323,806
Other recovered expenses	10,083
Total	4,115,679

80. Extraordinary income

Euros 136,992

This mainly refers to lower costs incurred in respect of amounts recorded in the prior year.

e) Other information

Employees

The average number of employees during the year, by category, was as follows:

Managers	3
Officers	11
Staff	40
Total	54

Directors' and Statutory Auditors' compensation

Members of the Board of Directors of the company were paid compensation of Euros 281,983.

The compensation to which the Board of Statutory Auditors is entitled totals Euros 58,505.

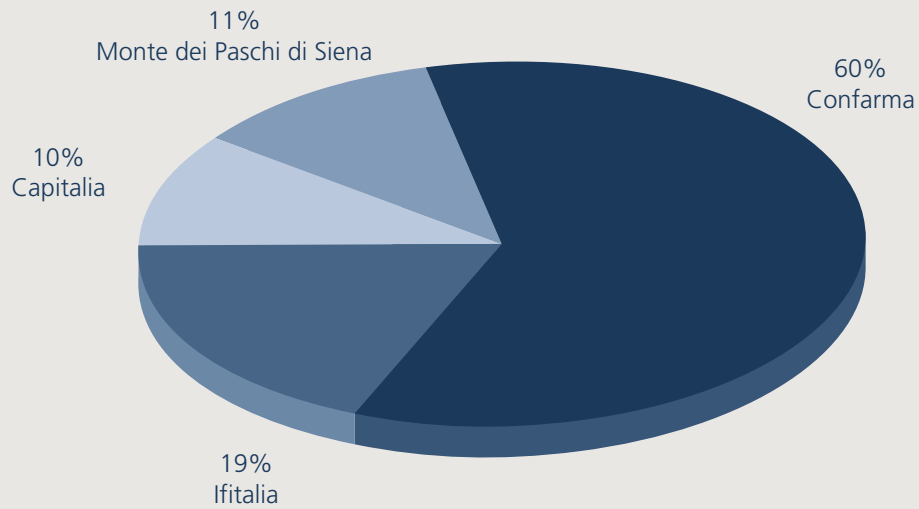
Composition of shareholders

The share capital of the company is held by:

Confarma S.p.A.	60%
Ifitalia S.p.A.	19%
Banca Monte dei Paschi di Siena S.p.a	11%
Capitalia S.p.A.	10%
Total	100%

The parent company, Confarma S.p.A., with headquarters in Milan, includes the company's financial statements in its consolidated financial statements.

Shareholders





Dalla collezione Farmafactoring

Valerio Adami
PARACELSO - 1997

Statutory Auditors Report on the financial statements at December 31, 2004 of Farmafactoring S.p.A. according to ex. art. 2409 ter and ex art. 2429 of the Italian Civil Code

We have carried out an audit of the financial statements at December 31, 2004 of Farmafactoring S.p.A. The responsibility for the preparation of the financial statements rests with the Directors of Farmafactoring S.p.A. Our responsibility lies in the expression of a professional opinion on the financial statements based upon the audit work performed.

The financial statements at December 31, 2004 of Farmafactoring S.p.A. show total assets of Euros 1,329,565,866, a net profit of Euros 15,610,414 and shareholders' Equity of Euros 82,741,266, of which Euros 7,387,366 refers to the general financial risk provision.

Our examination has been carried out in accordance with generally accepted auditing standards. In accordance with such standards, the audit work was planned and conducted in order to obtain every element necessary to ascertain if the financial statements are free of material errors and, as a whole, are reliable. The audit procedures include the examination, based on sample tests, of the documentary evidence supporting the balances and the information contained in the financial statements, as well as the evaluation of the adequacy and correctness of the accounting principles used and the reasonableness of the estimates made by the Directors. We maintain that the work carried out by us provides a reasonable basis for the expression of our professional opinion.

In our opinion, the above-mentioned financial statements, as a whole, have been prepared clearly and present a true and fair view of the financial condition and the results of operations of Farmafactoring S.p.A. for the year ended December 31, 2004, in conformity with the laws which govern financial statements.

As additional disclosure, we report the following:

- The interest on late payments of receivables purchased without recourse, as a result of the accruals made to the relative provision, based on the reasons explained in the notes, are booked to the income statement only upon actual receipt.
- For the reasons expressed in the notes, the financial statements include the credit risk provision of Euros 21.5 million (of which Euros 7.3 million has been accrued in 2004), calculated according to tax laws, as well as the general financial risk provision of Euros 7.3 million, which has remained unchanged compared to the prior year, and classified in the financial statements under shareholders' equity.

Our work, during the course of the year ended December 31, 2004, has been guided by the Code of Conduct of the Board of Statutory Auditors as recommended by the National Boards of Dottori Commercialisti and Ragionieri.

In particular:

We have monitored that the law, the deed of incorporation and the principles of proper administration have been observed.

We have attended the shareholders' meetings, the Board of Directors' meetings and the Executive Committee's Meetings, conducted in accordance with statutory provisions, laws and regulations which govern their functioning and for which we can reasonably ascertain that the actions voted on conform to the law and to the bylaws and were not imprudent, risky, in potential conflict of interest or such as to compromise the integrity of the assets of the company.

We have obtained information from the Directors on the general performance of operations and the future outlook as well as on the most significant transactions, in terms of size or features, carried out by the company, and we can reasonably ascertain that the actions taken conform to the law and to the bylaws and were not imprudent, risky, in potential conflict of interest or in contrast with the resolutions passed by the shareholders' meeting or such as to compromise the integrity of the assets of the company.

We have gained knowledge and ascertained the adequacy of the organizational structure of the company, also by way of gathering information from those in charge of the functions and in this regard we have no particular matters to report.

We have evaluated and observed the adequacy of the administrative and accounting system as well as the reliability of the accounting system to correctly represent the operating events by obtaining information from those responsible for the functions, and by examining the company documents and in this regard we have no particular matters to report.

No complaints have been received under ex art. 2408 of the Italian Civil Code.

During the course of our supervisory activities, as described above, no further significant facts emerged such as to require mention in this report.

To our knowledge, there were no departures by the Directors in preparing the financial statements under art. 2423, paragraph 4 of the Italian Civil Code.

* * *

On the basis of the work carried out, we propose that the shareholders' meeting approve the financial statements for the year ended December 31, 2004, as prepared by the Directors.

Milan, June 1, 2005

Board of Statutory Auditors

Franco Caramanti

Fabrizio Bellini

Francesco Logaldo

The image shows three handwritten signatures in black ink. The first signature is for Franco Caramanti, the second for Fabrizio Bellini, and the third for Francesco Logaldo. The signatures are written in a cursive style and are positioned to the right of their respective names.

Statement of Cash flows

(in thousands of euros)

	2004	2003
Sources		
Items not affecting working capital:		
- Net profit	15,610	13,592
- Depreciation	1,229	1,002
- Amortization	683	432
- Accrual of general financial risk provision	-	2,000
- Accrual for employees' severance indemnity	167	156
	17,689	17,183
Uses		
- Dividends to shareholders	2,610	1,560
- Investments		27
- Net fixed assets	3,287	3,643
- Deferred charges	1,216	1,002
- Severance indemnity paid	163	58
	7,276	6,290
Aumento (diminuzione) capitale circolante netto	10,413	10,893
provided by:		
Current assets		
- Cash	(199)	44
- Receivables from banking and financial institutions	34,349	1,547
- Receivables from customers	409,051	88,155
- Other assets	10,148	2,584
	453,349	92,330
Current liabilities		
- Due to banking institutions	217,022	75,544
- Due to financial institutions	-	(43)
- Due to customers	213,915	3,186
- Liabilities represented by securities	(11,923)	(6,050)
- Other liabilities	23,923	8,800
	442,936	81,437
Increase in net working capital	10,413	10,893

Statements of changes in Shareholders' equity

(in thousands of euros)

	Share Capital	Legal Reserve	Other Reserves	Retained Earnings	Net Profit	Gen. fin. risk provision	Total
Balance at December 31, 2001	25,000	2,123	88	173	6,869	11,387	45,641
Change in 2002						(6,000)	(6,000)
Appropriation of net profit 2001:							
- to legal reserve		343			(343)		0
- to other reserves							0
- to retained earnings				4,976	(4,976)		0
- to shareholders					(1,550)		(1,550)
Share capital increase	5,000			(5,000)			0
Net profit 2002					17,618		17,618
Balance at December 31, 2002	30,000	2,466	88	148	17,618	5,387	55,709
Accrual 2003						2,000	2,000
Appropriation of net profit 2002:							
- to legal reserve		881			(881)		0
- to other reserves					(6,000)		0
- to retained earnings				6,000	9,177	(9,177)	0
- to shareholders					(1,560)		(1,560)
Share capital increase	15,000		(6,000)	(9,000)			0
Net profit 2003					13,592		13,592
Balance at December 31, 2003	45,000	3,347	88	325	13,592	7,387	69,741
Appropriation of net profit 2003:							
- to legal reserve		680			(680)		0
- to other reserves					(680)		0
- to retained earnings				10,303	(10,303)		0
- to shareholders					(2,610)		(2,610)
Share capital increase	10,000			(10,000)			0
Net profit 2004					15,610		15,610
Balance at December 31, 2004	55,000	4,027	88	628	15,610	7,387	82,741

Relazione della società di revisione

Agli Azionisti della
Farmafactoring S.p.A.

1 Abbiamo svolto la revisione contabile del bilancio d'esercizio della Farmafactoring S.p.A. chiuso al 31 dicembre 2014. La responsabilità della redazione del bilancio compete agli amministratori della Farmafactoring S.p.A. E' nostra la responsabilità del giudizio professionale espresso sul bilancio e basato sulla revisione contabile. La presente relazione non è espressa ai sensi di legge, stante il fatto che la Farmafactoring S.p.A. ha conferito l'incarico per il controllo contabile ex art. 2409-bis e successivi del Codice Civile ad altro soggetto, diverso dalla scrivente società di revisione.

2 Il nostro esame è stato condotto secondo gli statuti principi di revisione. In conformità ai predetti principi, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio d'esercizio sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenute nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

Per il giudizio relativo al bilancio dell'esercizio precedente, i cui dati sono presentati ai fini comparativi secondo quanto richiesto dalla legge, si fa riferimento alla relazione da noi emessa in data 25 marzo 2014.

3 A nostro giudizio, il bilancio d'esercizio della Farmafactoring S.p.A. al 31 dicembre 2014 è conforme alle norme che ne disciplinano i criteri di redazione; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria e il risultato economico della Società.

4 Esponiamo i seguenti richiami di informativa:

4.1 Gli interessi di mora, sui crediti acquistati a titolo definitivo, per effetto degli accantonamenti al fondo relativo, in base alle motivazioni illustrate in nota integrativa, costituiscono prudentemente a conto economico solo in corrispondenza dell'effettivo incasso.

4.2 Per le motivazioni illustrate nella nota integrativa, il bilancio accoglie tra le passività il Fondo rischi su crediti per €21,5 milioni, di cui €7,3 milioni stanziati nel 2014 e calcolato con modalità corrispondenti alle normative fiscali nonché, quale componente del



patrimonio netto, il Fondo per rischi finanziari generali di €7,3 milioni invariato rispetto all'esercizio precedente.

Milano, 1 giugno 2005

KPMG S.p.A.

Mario Tacchibonini
Socio

SECTION I

Name - Purpose of the Company - Registered office and duration

Article 1

The name of the company is "FARMAFACTORING S.p.A."

Article 2

The registered office of the company is in Milan. By resolution of the administrative body, secondary offices, branches, representative offices and technical and administrative offices may be opened and closed in other Italian cities and outside Italy.

Article 3

The purpose of the company shall be: the organized and coordinated management of transactions aimed at facilitating the discounting, the administration and the collection of receivables from the National Health System or Entities providing health services as well as from the Public Administration, the purchase and sale of both "without recourse" and "with recourse" under whatsoever form and term, of such receivables; assumption of the risks of failure of payment and issuance of guarantees of whatsoever type, opening of bank accounts, granting of loans and advances, in whatsoever form, in compliance with the laws in force and, in general, any credit transaction, excluding the collection of savings and the carrying out of activities which require registration in a professional register, in accordance with the law existing on those matters.

The company may carry out all commercial, industrial, financial and securities-related and real estate transactions which, as deemed by the administrative body, shall be considered necessary or useful for achieving the business purpose of the company, acquire interests and investments in other companies, enterprises, entities, associations and establish foundations having a purposes that is similar to, related to or associated with its own, either directly or indirectly, in Italy or outside Italy, including the providing of guarantees, also real guarantees, in its interest and/or in the interests of third parties and acting as representative agents or taking up agency contracts of national or foreign companies.

Article 4

The duration of the company shall be until December 31, 2100.

The date may be extended by resolution of the extraordinary shareholders' meeting in accordance with the law.

SECTION II

Share Capital - Shares - Bonds

Article 5

The share capital is Euros 55,000,000 (fifty-five million and no cents), divided into 1,100,000 ordinary shares of par value Euros 50.00 each.

The share capital may, by resolution of the extraordinary shareholders' meeting, be increased one or more times, also by delegation to the Board of Directors.

Article 6

The shares are indivisible. In the event of joint ownership of a share, the rights of the joint owners shall be exercised by a common representative.

The transfer of shares by act of living persons shall be made exclusively by endorsement.

Article 7

The company may issue participating financial instruments, which carry equity rights or also administrative rights, against contribution on the part of the shareholders or third parties also of works or services.

The authority for the issuance of financial instruments on behalf of employees of the company or subsidiaries shall be attributed to the extraordinary shareholders' meeting. The authority for the issuance of financial instruments carrying only equity rights shall be attributed to the administrative body, specifying that, in such case, the maximum amount that can be issued shall be equal to twice the amount of the accounting net equity. The authority for the issuance of financial instruments that also carry administrative rights shall, instead, be attributed to the ordinary shareholders' meeting.

Upon passing the resolution for issuance, all the features of the financial instruments issued shall be established according to the contribution of each assignor or in favor of the employees entitled, stating the rights which they confer, the penalties in the event of nonfulfillment of the performance promised and establishing the possibility and the manner of any circulation.

The financial instruments issued against the performance of works and services, or assigned to the employees of the company or subsidiaries are not transferable without the consent of the administrative body.

The buyer succeeds in the obligations of the seller.

The holders of the financial instruments referred to in this article are not entitled to vote in the shareholders' meetings, unless the resolution states otherwise.

The financial instruments granted to employees of the company or subsidiaries are also forfeit in the event of the termination of the employment relationship.

The financial instruments can also be redeemed by the company at a price determined according to criteria that shall be established in the resolution for their issuance.

The financial instruments redeemed by the company and those rendered forfeit for specific reasons are extinguished with full rights.

For the nomination, revocation and replacement of the representative of holders of financial instruments a separate resolution shall be passed only by those entitled to do so during the course of the shareholders' meeting; the resolution shall be passed by an absolute majority of votes, with the understanding that each type of financial instrument gives the right to one vote.

For matters not envisaged by this article, the regulations on bonds, or shares, insofar as they are compatible, shall be applied to the financial instruments.

SECTION III

Shareholders' meeting

Article 8

Shareholders' meetings are ordinary and extraordinary; they shall be held in the place indicated in the notice calling the meeting, also in a place other than the registered office of the company, provided it is in Italy.

The ordinary shareholders' meeting shall be convened by the Board of Directors and on its behalf by the chairman or managing director, at least once a year, within one hundred and twenty days of the end of the fiscal year, or within a period of one hundred and eighty days of that date, where such period has been requested for the preparation of the consolidated financial statements, if necessary, or in relation to the structure and purpose of the company. The ordinary and extraordinary shareholders' meeting shall also be called to pass resolutions under its jurisdiction whenever the Board of Directors deems it desirable or when it is required in accordance with the law or these bylaws.

Article 9

The convening of the ordinary and extraordinary shareholders' meetings shall take place through a notice indicating the date, the time and the place of the meeting and the order of business, for the first and second call to the meeting, as well as the indication of the date, the time and the place eventually established for successive meetings.

Until such time as the company does not take recourse to the risk capital market and provided proof of receipt is guaranteed at least eight days prior to the meeting, the administrative body may, as an alternative to publication in the Gazzetta Ufficiale, choose one of the following means of convening the meeting:

- letter or telegram sent to all the shareholders of record in the shareholders' register at the address indicated therein, as well as to the standing statutory auditors by means of the postal or similar service provided with notice of receipt;
- simple letter, sent to the parties indicated above, a signed copy of which should be returned by them to the company for receipt, with the date of receipt affixed thereon;
- facsimile or e-mail sent and received by all the parties indicated above, which shall, by the date established for the shareholders' meeting, confirm in writing, also using the same means of communication, that notice was received, indicating the date of receipt.

The above formalities shall not be necessary and the shareholders' meeting shall be deemed to be duly constituted when the entire share capital is represented and the majority of the members of the administrative and control boards participate in the shareholders' meeting, also by means of audioconference or videoconference with participation at more than one location.

Article 10

The meeting shall be attended by shareholders entitled to vote, as well as parties which by law or under these bylaws shall have the right to attend the meeting.

In order to attend, the shares must be deposited before the meeting. The shares may be deposited at the registered office or at the banks specified in the notice for convening the meeting, five days before the date fixed for the shareholders' meeting, save for the applicability of a different provision of the law.

The deposited shares may not be withdrawn until the shareholders' meeting has taken place.

Article 11

Each shareholder having the right to attend the shareholders' meeting may be represented, by written authorization, by another person, whether or not a shareholder, subject to the limitations under art. 2372, paragraph 5 of the Italian Civil Code.

The chairman of the shareholders' meeting shall establish the validity of the deeds of representation and in general the right to attend the meeting.

Article 12

The shareholders' meeting shall be presided over by the chairman of the Board of Directors or, in his absence, by the deputy chairman who is senior in age, or, also in the absence of the deputy chairmen, by a person elected by the same shareholders' meeting.

The shareholders' meeting shall elect a secretary, who can also be chosen from outside the shareholders, and, where necessary, two observers.

Article 13

The resolutions of the ordinary shareholders' meeting shall be valid when passed by those participating and by the majority according to the law.

The extraordinary meeting, in the first and second call, shall pass resolutions by an affirmative vote of the shareholders representing more than half of share capital, except for resolutions relating to amendments to the business purpose of the company described in the entire art. 3 of these bylaws, which shall be passed by a affirmative vote of the shareholders representing more than 75% of share capital.

The shareholders' meeting, whether ordinary or extraordinary, can take place with participation at more than one location, near or far, by means of audioconference or videoconference, on condition that the collective process and good faith principles are observed and the shareholders are treated equally and, in particular, provided that:

- the chairman of the shareholders' meeting is allowed, also by means of his office as chairman, to ascertain the identity and the legitimacy of those participating, conduct the meeting, verify and proclaim the results of voting;
- the party taking down the minutes is allowed to adequately perceive the events at the shareholders' meeting that should be entered in the minutes;
- those participating are allowed to take part in the discussion and the simultaneous voting on the matters of business;
- the notice of the shareholders' meeting (except if it is a general shareholders' meeting), whenever published by the company, specifies the locations of the audio and video conferences set up by the company, at which those participating may meet, and the meeting should be considered as having taken place at the location in which the chairman and the party taking the minutes are present.

Article 14

The resolutions of the shareholders' meeting shall be recorded in the minutes signed by the chairman and the secretary.

In the cases provided by law and each time the Board of Directors or the chairman deems it necessary, the minutes shall be drawn up by a notary public.

Article 15*Withdrawal*

The shareholders are entitled to the right of withdrawal under the assumptions stated in art. 2437 of the Italian Civil Code.

No other reasons for withdrawal are provided either in the event of the approval of resolutions regarding the extension of the end of the company, or the introduction or the removal of restrictions regarding the circulation of shares.

With regard to the time and manner of withdrawal, the provisions established by art. 2437 bis and subsequent articles of the Italian Civil Code apply.

SECTION IV

Board of Directors

Article 16

The company shall be managed by a Board of Directors. The supervisory body shall be the Board of Statutory Auditors. The shareholders' meeting shall elect the Board of Directors, establishing the number of members, which can be between seven and twenty-one members, in addition to the term of office.

The members of the Board of Directors elected by the shareholders' meeting shall remain in office for a maximum period of three years and the term of office shall expire on the date of the shareholders' meeting called to approve the financial statements relative to the last year of their term of office.

The directors can be re-elected.

Article 17

If, due to whatsoever reason, the majority of directors in office should leave office, the entire Board shall be considered to have resigned and the shareholders' meeting shall be called without delay to elect a new Board of Directors.

Article 18

Until such time as the shareholders' meeting passes a resolution to the contrary, the directors shall not be bound by the bans stated in art. 2390 of the Italian Civil Code.

Article 19

The Board of Directors, whenever it is not chosen by the shareholders' meeting, shall elect a chairman from among its members and possibly one or more deputy chairmen.

The Board may also delegate its powers to one or more of its members or to an Executive Committee, establishing, within the limitations provided by art. 2381 of the Italian Civil Code, the powers and, with regard to the Executive Committee, also the number of its members, the duration and the rules relating to its functioning.

In the event of establishing the Executive Committee, by right, the chairman of the Board of Directors, who shall be its chairman, and the managing director, if appointed, shall be members. The Board of Directors may likewise delegate part of its duties also to persons that are not on the Board, who may or may not be employees of the company, empowering them with mandates for individual acts or categories of acts.

The Board of Directors may also appoint a general manager.

The Board, lastly, shall elect a secretary who can be chosen from outside the Board members.

Article 20

The Board of Directors is vested with full and ample powers for the ordinary and extraordinary management of the company, with no exceptions whatsoever, and it shall be conferred all the powers for the implementation and achievement of the business purposes, except for those tacitly reserved to the shareholders' meeting, either by law or according to the bylaws.

Article 21

The chairman of the Board of Directors shall represent the company and have signature powers vis-à-vis third parties and in court proceedings, with the authority to take legal and administrative action and file appeals before every jurisdiction.

The Board of Directors can likewise confer the representation of the company and signature powers, vis-à-vis third parties and in court proceedings, also to those other persons which it so deems pursuant to the preceding art. 19, within the limits determined by the Board itself.

The deputy chairmen, if appointed, shall take the place of the chairman, separately, in the absence or impediment of the latter, with the same powers and rights. The signature of a deputy chairman bears witness, vis-à-vis third parties, to the absence or impediment of the chairman.

Article 22

The Board shall meet each time the chairman shall so deem it necessary or when a written request has been made by at least four of its members or by the Board of Statutory Auditors. The meeting shall be called by letter, registered letter, facsimile or e-mail to be sent at least eight days prior to the meeting to each director and standing statutory auditor and, in the case of emergencies, via telegram to be sent at least thirty-six hours prior.

Notice of the meeting shall specify the matters for discussion.

The meetings shall normally be held at the registered office of the company, except when reasons deem it opportune to meet elsewhere, also outside the country.

The meetings of the Board of Directors may also be held by teleconference or videoconference, on condition that all the participants can be identified and are allowed to follow the discussion and take part in real time in transacting business. Having verified these requisites, the Board of Directors' meeting is considered to be held in the place where the chairman is and where the secretary of the meeting must also be in order to allow the minutes to be entered and signed in the relative book.

Article 23

The meetings of the Board of Directors shall be presided over by the chairman or, in his absence, by the deputy chairman who is senior in age. In the absence also of the deputy chairmen, the meeting shall be chaired by the managing director, if appointed, or by the director who is senior in age.

The managing directors and the Executive Committee, if appointed, shall see that the organizational, administrative and accounting structure of the company is adequate in relation to the business and its size and must refer to the Board of Directors and the Board of Statutory Auditors, at least every three months, on the exercise of their delegated duties, in addition to, in any case, the overall performance of operations and the future outlook, as well as the most important transactions entered into by the company or possibly by the subsidiaries.

Article 24

In order for the resolutions of the Board of Directors to be valid, the presence of more than half the directors in office shall be necessary.

The resolutions shall be passed by a majority vote of those present. In the case of a tie vote, the vote of the person chairing the meeting shall prevail.

Article 25

The resolutions of the Board of Directors shall appear in the minutes which are drawn up and signed by the chairman and the secretary.

Article 26

The directors are entitled, besides the reimbursement of expenses incurred in exercising their duties, to compensation determined by the ordinary shareholders' meeting.

The compensation to directors with special duties, moreover, shall be established by the Board of Directors, after hearing the opinion of the Board of Statutory Auditors.

SECTION V

Board of Statutory Auditors

Article 27

The Board of Statutory Auditors is composed of three standing statutory auditors and two alternates, elected and operating in accordance with the law.

The Board of Statutory Auditors must meet at least every ninety days, and participation can also be in more than one place, with audioconferencing and/or videoconferencing, with the assistance of the relative technologies, on condition that all the participants can be identified and are allowed to follow the discussion and take part in real time in transacting business. Having verified these requisites, the Board of Statutory Auditors' meeting is considered to be held in the place where the statutory auditor chairing the meeting is and where the secretary of the meeting must also be in order to allow the minutes to be entered and signed in the relative book. When participation at meetings of the Board of Statutory Auditors is not held in more than one place, the Board shall, however, be presided over by the chairman.

Accounting control over the company is exercised, whenever the company does not take recourse to the risk capital market and is not required to prepare consolidated financial statements, by the Board of Statutory Auditors and, in that case, all the statutory auditors must be inscribed in the register of certified auditors at the Ministry of Justice.

The shareholders' meeting, in the event the above-mentioned cases referred to under art. 2409 bis, paragraph 3 of the Italian Civil Code do not apply, shall entrust the accounting control to a certified auditor or to an audit firm. In this case, too, the parties charged with the work must be inscribed on the register set up by the Ministry of Justice.

The shareholders' meeting, at the time of appointment, may, however, regardless of the assumptions in the previous paragraph, entrust the accounting control to a certified auditor or to an audit firm. In this case, too, the parties charged with the work must be inscribed on the register set up by the Ministry of Justice.

The party to which accounting control has been entrusted shall apply the provisions of the law in question.

SECTION VI

Financial statements and profit distribution

Article 28

The fiscal year shall end on December 31 of each year. At the end of each year, the Board of Directors shall proceed to prepare the statutory financial statements with the relative income statement.

Article 29

Net profit for the year shall be appropriated as follows:

- a) 5% (five percent) to the legal reserve, until it reaches an amount equal to at least one-fifth of share capital;
- b) the remaining profit to the shares, unless the shareholders' meeting votes special appropriations to the extraordinary reserves or other destination, or decides to appropriate such profit, in whole or in part, to retained earnings.

The Board of Directors can vote to distribute the profit as interim dividends in the cases, in the manner and within the limits provided by existing provisions of the law.

SECTION VII

Liquidation

Article 30

In the event of the dissolution of the company, the shareholders' meeting shall appoint one or more liquidators as set forth by law.

For the appointment, revocation and substitution of the liquidators, the provision of art. 2484 and subsequent articles of the Italian Civil Code shall apply.

SECTION VIII

Place of jurisdiction - Arbitration clause - Reference

Article 31

Insofar as their relationships with the company are concerned, the domicile of the shareholders is understood, for all legal purposes, to be that shown in the shareholders' register.

Article 32

Unless otherwise provided by law, all disputes which might arise among the shareholders or among the shareholders and the company, the directors, the liquidators and the statutory auditors which concern the rights existing with regard to relationships with the company shall be the subject of a preliminary attempt at conciliation via a conciliator appointed by the Arbitration and Conciliation Board of the Order of Dottori Commercialisti of Milan. If the outcome of the conciliation is not successful within sixty days of the start of procedure for conciliation, the disputes shall be resolved, regardless of the number of parties, by a Board composed of three Arbitrators, one of whom shall act as chairman, appointed directly by the Arbitration and Conciliation Board of the Order of Dottori Commercialisti of Milan. The Arbitrators shall proceed in the customary manner and according to law. The arbitration shall be conducted in the Italian language and shall take place in Milan.

This arbitration clause shall be binding for the company and for all shareholders, including those whose capacity as shareholder is the subject under dispute; this clause is also binding, after accepting the position, for the directors, liquidators and statutory auditors with regard to the disputes brought by them or against them.

The arbitration clause shall not apply to disputes that by law provide for the obligatory involvement of the prosecuting attorney.

Amendments to the deed of incorporation aimed at introducing or deleting the arbitration clauses must be approved by shareholders representing at least two-thirds of the share capital.

Absent or dissenting shareholders may, within the following ninety days, exercise the right of withdrawal.

Disputes relevant to the validity of shareholders' resolutions are also referred to the Board of Arbitration; in this case, too, the Board of Arbitration shall judge according to law and may decide, also with an order against which a complaint cannot be lodged, the suspension of the effectiveness of the resolution itself.

Article 33

For all matters not provided for in the present bylaws, reference shall be made to the provisions of law.

Resolutions passed by the ordinary and extraordinary Shareholders' meetings

The shareholders' meeting, which met in second call on June 20, 2005, approved the financial statements for the year ended December 31, 2004 consisting of the balance sheet, income statement and notes to the financial statements, together with the Report on Operations by the Board of Directors, and entered the Report of the Board of Statutory Auditors in the minutes, appropriating the profit for the year of Euros 15,610,414 as follows:

1. to the legal reserve, Euros 780.521;
2. to dividends, Euros 2.75 for each of the 1,100,000 shares outstanding for a total of Euros 3,025,000;
3. to retained earnings, the remaining amount of Euros 11,804,893;

Lastly, the extraordinary session of the shareholders' meeting, on the same date, voted a bonus increase in share capital from Euros 55,000,000 to Euros 65,000,000, with the consequent amendment to art. 5 of the bylaws.

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