

FARMAFACTORING SPA



Bilancio 2005 | Annual Report

Call to the general annual Shareholders' meeting

The shareholders are hereby called 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 April 27, 2006, at 8:30 P.M., and, should it prove necessary, in second call, on April 28, 2006, at 10:00 A.M. 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, 2005, the Board of Directors' Report on Operations and the Board of Statutory Auditors' Report; respective and pertinent resolutions.
2. Appointment of the Board of Directors after establishing the number of members, appointment of the Chairman and Vice Chairman and determination of compensation.
3. Appointment of the Board of Statutory Auditors and determination of compensation.
4. Conferral of the appointment for accounting control.
5. Conferral of the appointment for the audit of the financial statements for the three years 2006/2007/2008;
6. Any other resolutions, pursuant to Art. 2364 of the Italian Civil Code

Extraordinary business

1. Bonus increase of share capital from Euros 65,000,000 to Euros 80,000,000, 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

Milan, March 29, 2006

For the Board of Directors
The Chairman
Marco Rabuffi

Table of contents

Report on operations	83
General economic overview	87
The international economic scenario	87
The Italian economy in 2005 and forecasts for 2006	88
The National Health System in Italy in 2005 and forecasts for 2006	89
Legal profiles and financial statements in accordance with IAS/IFRS	91
Performance during the year	92
Profit, balance sheet and financial review	96
Reclassified balance sheet	100
Reclassified income statement	101
Human resources	101
Significant subsequent events	102
Future outlook	102
Business developments	102
Transactions with the parent company and related parties	103
Financial risk management objectives and policies	103
Other information required by article 2428 of the Italian Civil Code	103
Proposed appropriation of net profit	104
Financial statements at December 31, 2005	105
Notes to the financial statements	113
Summary of significant accounting policies	114
Notes to the balance sheet	116
Comments on factoring transactions	130
Notes to the income statement	132
Other information	135
Statutory Auditors' report	137
Other statements	141
Independent Auditors' report	147
Shareholders' resolution	151

Consiglio di Amministrazione

Honorary Chairman	Massimiliano Pancera
Chairman and CEO	Marco Rabuffi*
Vice Chairman	Giovanni Martino Dettori*
Directors	Luciano Bocci Fabio Fasoli* Aldo Maccaferri* Marcello Messina * Enrico Pian * Simonetta Girotti 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

PricewaterhouseCoopers S.p.A.



Farmafactoring, sede di Milano
Auditorium

General economic overview

Dear Shareholders,

A few observations about the general international economy and the economic situation in Italy are given below as background information.

The international economic scenario

During 2005, the world economy remained on the positive course seen in the last few years and which is expected to carry on into 2006.

In order to describe the events of the last year in some of the major economic powers, a summary is provided of the situation in the United States, Asia and the eurozone.

In 2005, the economy of the United States posted a positive trend in consumption and investments, with an increase in GDP of 3.7% compared to 4.4% in 2004. Prospects are also good for 2006 with growth forecasted at +3.5%.

The new Chairman of the Federal Reserve, Ben Bernanke, seems to be continuing the monetary policy of his predecessor, with interest rates of between 4.5% and 5%. The first rise in interbank rates from 4.5% to 4.75% occurred at the meeting at the end of March and another increase to 5% seems likely in the first half of 2006.

The overall positive performance of the American economy contributed to the continuation of the expansion phase of the Asian economy. The Chinese economy deserves a special mention, having reported a GDP growth of +9.9% in 2005 compared to 10.1% in 2004 and a favorable price trend which reduced inflation from 3.9% in 2004 to 1.8% in the year just ended.

For the near future, China, strong as a result of a considerable increment in foreign demand, is listed as the world's fourth-largest industrial power.

The role of the Asian economies is becoming increasingly important considering the influence of their production on world GDP, thanks particularly to their capacity to produce at very low labor costs. However, it should be remembered that their high demand for energy will have repercussions on the cost of oil, an important risk variable which could generate serious economic imbalances, such as an acceleration of inflation in industrialized countries.

From what has been described so far, it can be deduced that, as far as the United States and Asian economies are concerned, 2006 has begun with excellent prospects and an optimistic attitude on the part of companies.

In the eurozone countries, on the other hand, growth was lower than expected, despite certain sustaining factors, such as the expansion of world demand and the favorable cost of money. Factors of imbalance such as the constant rise in the price of oil and a phase of deceleration of investments and consumption slowed down expansion.

In 2005, GDP in the eurozone increased by 1.4% compared to 1.8% in 2004. In 2006, the average annual GDP growth is expected to settle at about 2%, while the average inflation rate should remain at about 2%.

Despite the fact that inflation is still fairly contained, the European Central Bank will continue to implement a monetary policy geared to raising interest rates, from 2.25% to 2.5% in the short term, and to 3% by the end of the year, with the aim of compensating the risk of an increase in prices caused by a recovery in demand and the uncertainty of oil prices.

Among the European Union countries, in 2005, Spain reported the highest GDP growth compared to the prior year, +3.4%, followed by France and Germany, which reported 1.4% and 0.9% gains, respectively.

During the next few years, the economic situation in this area may be influenced by the trend in investments and exports. This would constitute an advantage for Germany, which still has the sectors and outlet markets with the highest demand.

If the Italian situation is considered, the recovery taking place in the eurozone could provide a positive boost for our country, which, for some years now, has been reporting lower growth than its fellow European nations.

The Italian economy in 2005 and forecasts for 2006

In Italy, the year 2005 just ended was a negative year in terms of economic growth.

The growth differential compared to the rest of the eurozone, according to research conducted by ISAE (the Institute for Economic Studies and Analyses), is approximately 1.4 percentage points. This can mainly be attributed to the weakness of internal demand and the structural difference in terms of competitiveness encountered by our exports.

According to results published by ISTAT (the national statistics bureau), in 2005, Italy reported zero growth compared to +1% in 2004, with figures which did little to raise hopes relating to industrial production, which reported a drop for the fifth consecutive year.

In addition to the disappointing trend in industrial production in 2005, there was also a weak trend in consumption and investments.

In 2006, the Italian economy could benefit from a recovery in the eurozone and a buoyant trend in the world economy, bringing GDP growth to about 1.3%.

According to the analyses published by ISAE, despite the improvement in the trend of the national economy, special attention must be devoted to public spending. In 2005, a deficit equal to 4.1% of GDP was reported, which was lower than the Government expected, but decidedly higher than the ceiling imposed by the European Union.

According to forecasts for 2006, the deficit should settle at about 3.9% of GDP, compared to the figure of 3.5% estimated by the government in its update of the Italian stability program, the aim being to bring the deficit down to below 3% of GDP by 2007.

With regard to the trend of prices, despite increases in the prices of oil products and the cost of energy, the weakness in demand stabilized the level of national inflation, keeping it in the range of the average of the eurozone.

According to ISTAT estimates, in 2005, inflation increased by 2% compared to 2.2% in 2004, whereas, for the future, the stability of prices will be conditioned largely by the trend in oil prices and a probable recovery in demand.

The National Health System in Italy in 2005 and forecasts for 2006

Despite the fact that the 2006 Finance Bill allocated approximately Euros 91 billion for the health-care sector, the considerable increase in expenditures, estimated at about Euros 95 billion, once more highlights the difficulties being encountered in the management of the National Health Service, which has reported an estimated deficit in 2006 of approximately Euros 4.4 billion, compared to a deficit of Euros 2.8 billion in 2005 and Euros 3 billion in 2004.

Many measures were implemented on a local scale in an attempt to improve the finances of the health-care sector. The Regions which are experiencing the greatest difficulties and debt are those in the south of Italy.

The Lazio Region is trying to bridge a gap of approximately Euros 2.9 billion for the period 2003-2004 by eliminating prescription tickets and defining a control procedure for all items of expenditure, and delegating the payment of its supplier invoices to the regional body "Sviluppo Lazio": The manoeuvres implemented by the Campania Region, on the other hand, are geared to reducing health care expenditures by 18.5% by 2008. It intends to achieve this by limiting the cost of personnel, the assistance acquired from third parties and special arrangements for pharmaceutical products.

In order to deal with the debt which the Italian ASLs (Local Health Service Agencies) have with suppliers, certain Regions have continued to arrange settlement agreements with its suppliers and, in some cases, to securitize its receivables.

The first agreements were set up by the Lazio Region with suppliers and ASLs, and similar agreements have since been established by the Abruzzi, Apulia, Marches and Calabria Regions.

Under the Finance Bill for 2006, the State will contribute to eliminating the deficits of the National Health Service for the years 2002, 2003 and 2004, by authorizing expenditures of Euros 2,000 million for the year 2006. However, the distribution of this sum is conditional upon the agreement on the part of the Regions to adopt measures to cover the remainder of their deficits for those same years.

If, by May 31, these measures have not been adopted, additional Irpef and Irap taxes will be applied in the Regions concerned with the aim of eliminating the deficit for the fiscal year 2006. With the aim of ensuring that the objectives in the sphere of public expenditures can be effectively achieved, the Regions will continue to be responsible for guaranteeing economic and financial equilibrium and maintaining basic levels of assistance. In the cases of imbalance arising in individual ASLs, the Regions concerned will be expected to present plans to restore balance, otherwise the respective general directors will be removed from office.

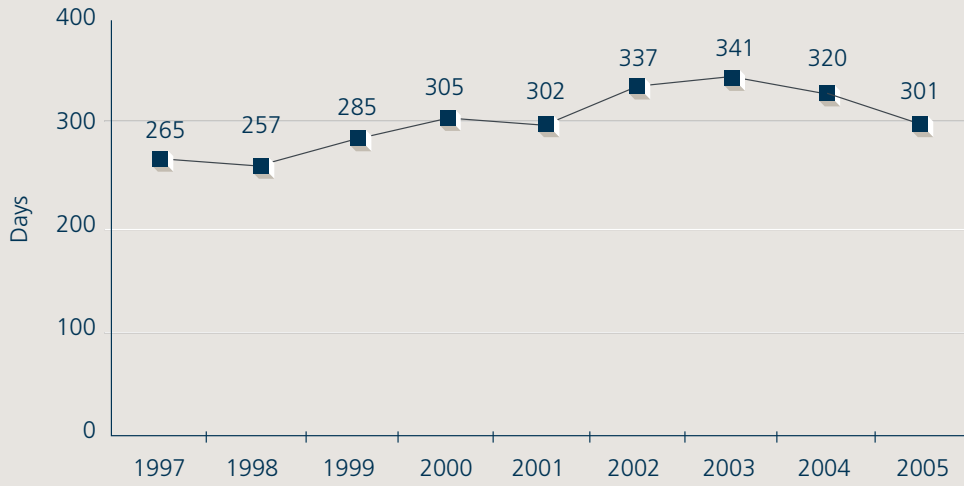
For the purpose of monitoring efficiency in the allocation of funding, the Finance Bill 2006 created the SiVeAS, a national system for verifying that funds to the health-care service are appropriately allocated.

With the aim of strengthening the institutional functions of AIFA (Pharmaceutical Agency), the Finance Bill for 2006 established an increase in the number of staff as from January 1, 2006 of 190 people.

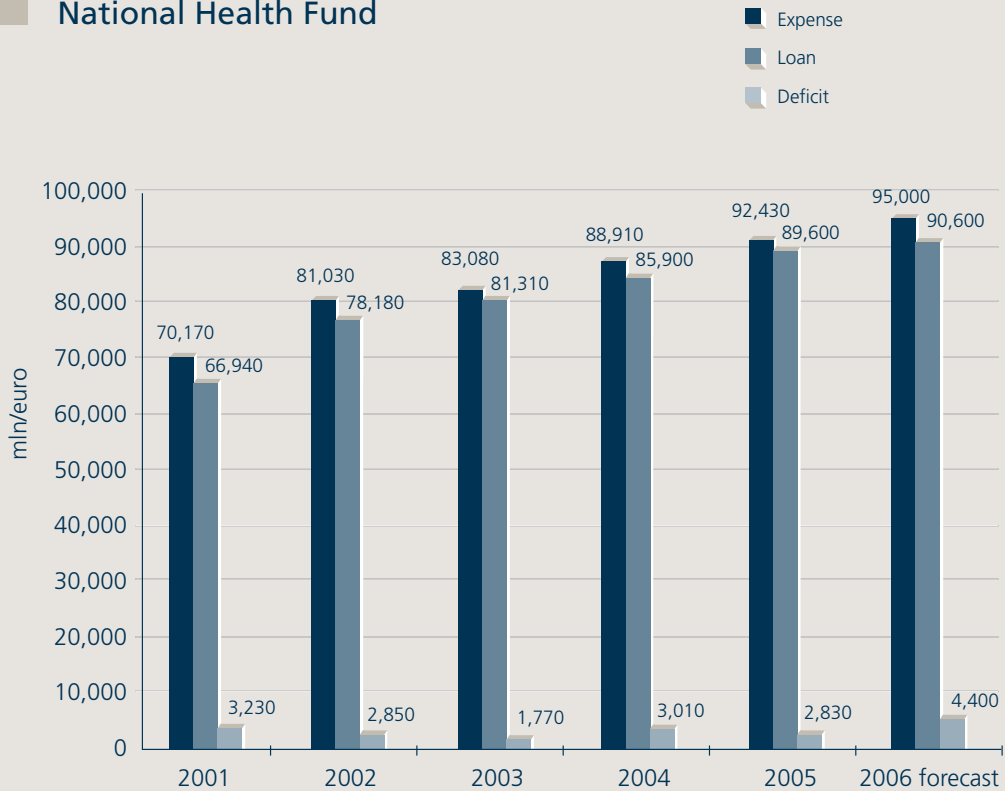
AIFA will monitor pharmaceutical expenditures and will send a monthly report to the Ministry of Health and the Ministry of Economy and Finance.

A final note concerns the average payment times which, in 2005 were approximately 301 days.

Average Number of Days to Payment



National Health Fund



Legal profiles and financial statements in accordance with IAS/IFRS

The Decree of November 2004, which introduced Art. 25 of EU Law No. 306 dated October 31, 2003 into the Italian legal framework, requires the adoption of IAS/IFRS for the preparation of consolidated financial statements for listed companies, banks, financial intermediaries subject to supervision, companies with publicly traded stocks or bonds 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 company did not take advantage of this option for the financial statements for the year ended December 31, 2005.

During the course of the year, in particular, the company assessed the impact of the procedures necessary to draw up the financial statements in accordance with IAS/IFRS.

Compared to the accounting policies currently adopted in the preparation of the financial statements, the most important changes under IAS/IFRS relate to a broader disclosure policy. In fact, under IAS/IFRS, the financial statements must provide useful information on the balance sheet, the income statement and the changes in the cash flows of the enterprise to a wider range of readers who must be able to use such information as the basis for making important economic decisions.

A broader disclosure policy under IAS/IFRS implies measurement at fair value and present value in addition to the use of amortized cost.

Greater emphasis is also placed on substance over form in the recognition of the events of the enterprise.

The effective transfer of the risks and rewards of ownership and not just the simple legal criteria of the transfer of ownership is identified as the basic tenet for the recognition of the effects of disposal transactions regarding assets and liabilities.

To this end, with regard to the most important item in the financial statements, which is represented by receivables purchased without recourse, the company is carrying out an in-depth analysis of the amortized cost method of measuring such receivables as established by IAS 39.

On February 14, 2006, Banca d'Italia issued instructions for the preparation of the financial statements of financial intermediaries registered in the Special List.

These instructions will be applied starting from the financial statements for the year ended December 31, 2006.

Farmafactoring some years ago instituted a function to monitor the risks associated strictly with the disbursement of loans.

This activity is carried out by the Internal Auditing function which reports to the board of directors and the board of statutory auditors and is organizationally independent of the operating areas of the company.

The internal control system defined by the board of directors is subject to constant revision.

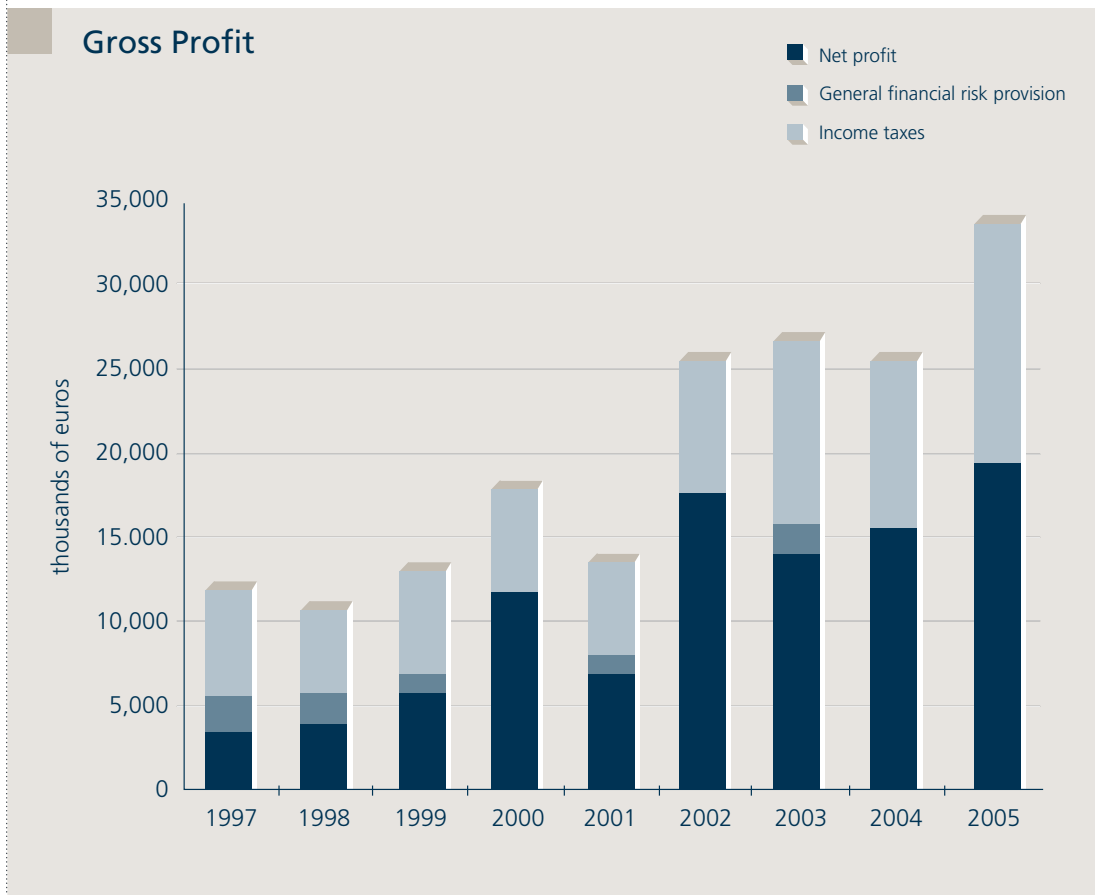
Internal Auditing is specifically attributed with responsibility for monitoring and verifying the correct functioning of the internal control system in accordance with the internal procedures approved by the board of directors.

During 2005, the company continued to review and revise its organizational, management and control tools to meet the requirements of Legislative Decree No. 231/01, as amended, and updated the report on the organizational structure pursuant to Banca d'Italia Circular No. 216/96 "Instructions for the Supervision of Financial Intermediaries registered in the Special List", 6th update 2002.

In accordance with art. 19 of Attachment B of Legislative Decree No. 196 of 2003 (technical regulation), the company will update the programming document on security by March 31, 2006.

Performance during the year

The financial statements for the year ended December 31, 2005, which are submitted for your approval, show a net profit of Euros 19,735,745 after income taxes and Irap taxes of Euros 14,416,100.



Receivables assigned for the management of their collection in 2005 amounted to Euros 3,705 million compared to Euros 3,262 million in 2004. The increase, equal to 13.5%, is due to the addition of new companies which have entrusted your company with the management of their receivables, and customers which have commenced factoring relationships at the end of 2004, not only for receivables from the National Health Service, but also from other 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 1,752 million compared to Euros 1,751 million in 2004.

For a better understanding of the purchases of receivables without recourse a comparison of volumes in 2004 and 2005 in terms of regional settlement agreements and ordinary purchases is presented below.

A comparative breakdown of purchases without recourse is as follows:

	(in millions of euros)	
	12.31.2004	12.31.2005
Purchases without recourse, ordinary	1,399	1,679
Purchases without recourse, by agreement	352	73
Total purchases without recourse	1,751	1,752

Credit lines to finance accounts receivable purchases increased by 27.2% over the previous year and total Euros 1,462 million.

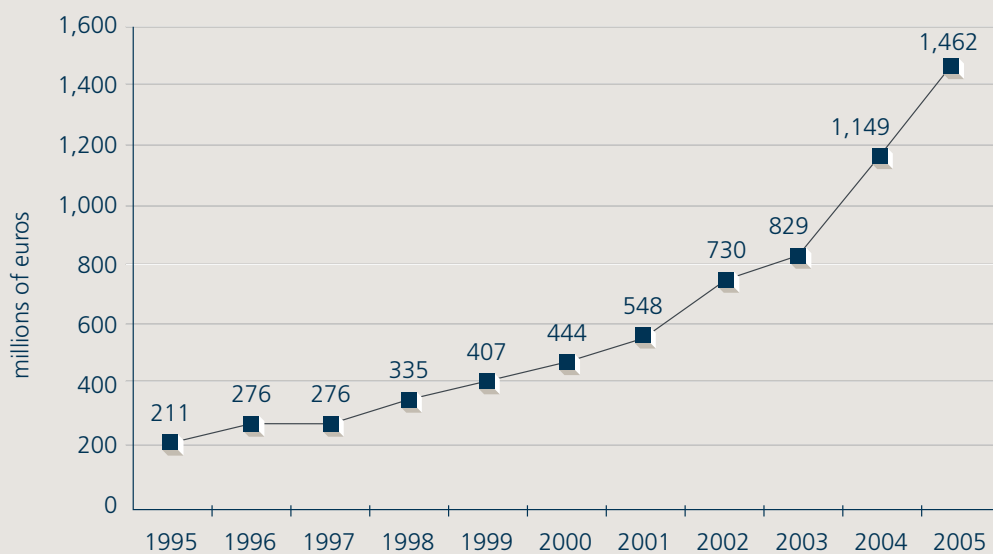
During 2005, the company increased medium-term funding over the previous year.

Some of the transactions concluded during 2005 include the following:

- An 18-month less 1 day loan for Euros 155 million from a syndicate of banks with Abax Bank S.p.A. and Banca Profilo S.p.A. as the arrangers and Banca Agricola Mantovana as the agent. This is a term loan.
- A 36-month Club Deal loan for Euros 140 million with Sanpaolo IMI as the organizer and agent. This is a revolving loan facility.
- An 18+18 month loan for Euros 182 million from a syndicate of banks with Commerzbank and Sanpaolo IMI, the latter as the agent. This is a revolving loan facility.
- A loan from MCC-Capitalia as the arranger and agent for Euros 50 million divided into two tranches of the same amount, respectively, for 12 and 36 months. This is a revolving loan facility.

Other direct loans were secured for an 18-month period with ordinary banking institutions, for a total of Euros 80 million.

Credit Lines from 1995 to 2005



Collections grew from Euros 2,684 million in 2004 to Euros 3,093 million in 2005, increasing 15% over the prior year. This was due to higher volumes of receivables managed and purchased and collections on regional settlement agreements for about Euros 303 million. These transactions made it possible for the company to reduce 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.

During 2005, three agreements were reached at a regional level with Lazio, Calabria and Abruzzo.

The Regions, with the objective of rationalizing the investment of public resources destined for health care and reduce the ASL and AO payment times to the supplier companies, authorized framework agreements to be defined and signed with the trade associations representing the suppliers of the ASLs and AOs and with parties that purchased receivables from those supplier companies due from the ASLs and AOs.

These transactions are structured in a manner that provides for the signing of settlement agreements, the certification of receivables and the delegation of payments to be made by the Regions.

The company later sold the portfolios from these transactions to Deutsche Bank Luxembourg S.A. with regard to the receivables referring to the Calabria and Lazio Regions and to the company F.I.R.A. (Finanziaria Regionale della Regione Abruzzo) with regard to the receivables referring to the Abruzzo Region.

The receivables of your company sold in this manner are as follows:

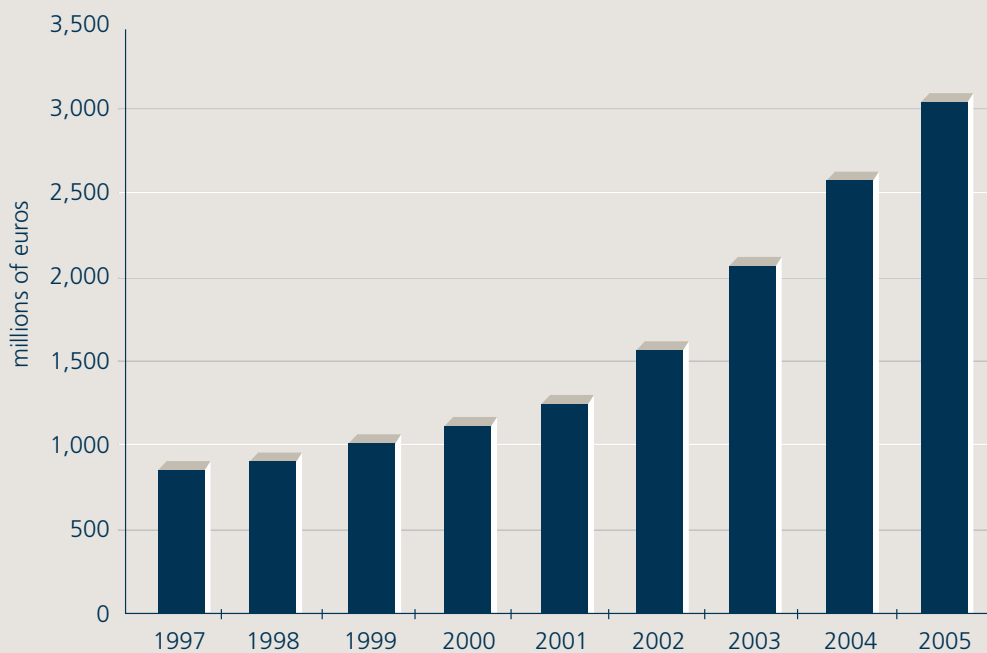
(in millions of euros)		
Regional Agreement	Date of sale	Amounts sold
Lazio	May 19, 2005	303
Calabria	November 17, 2005	95
Abruzzo	December 10, 2005	31
Total sales of receivables		429

The receivables referring to the Lazio transaction were collected on June 29, 2005 whereas those referring to the Calabria and Abruzzo Regions will be collected during the first quarter of 2006.

In the Calabria transaction, the receivables acquired included those referring to a group of Farindustria companies which decided to work with your company.

The agreements with the Calabria and Abruzzo Region also made it possible to recover interest on late payments for an amount of Euros 704 thousand.

Collections



Profit, balance sheet and financial review

Profit from ordinary operations totals Euros 56,473 thousand, an increase of 20.47% from the previous year. This increase is mainly due to greater activities regarding the ordinary purchase of receivables without recourse and an increase in the collection of interest on late payments of receivables.

Commission income referring to those activities, in fact, rose from Euros 48,219 thousand to Euros 59,441 thousand.

Interest on late payments collected during the year, moreover, amounts to Euros 12,548 thousand with an increase of Euros 3,602 thousand compared to the prior year.

The regional agreements with Lazio and Calabria led to the recognition of income from compensation paid to Farmafactoring for a total amount of Euros 22 million and commission income for about Euros 8 million booked during the year.

The subsequent sale of the receivables portfolios of approximately Euros 400 million to Deutsche Bank Luxembourg S.A. generated expenses for the year of a total of Euros 26 million making it possible, however, to anticipate the collection times of the principal on these receivables.

In 2005, the above income and expenses, relating to the Lazio and Calabria regional settlement agreements, and the subsequent sale of the receivables to Deutsche Bank Luxembourg S.A., were fully recognized during the year in order to match the income and expenses.

Payroll expenses of Euros 4,027 thousand increased by 14.60% 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 8,989 thousand consist of administrative expenses of Euros 12,063 thousand net of other operating income of Euros 3,074 thousand.

Operating profit of Euros 43,457 thousand is Euros 7,981 thousand higher than the previous year. This increase of 22.50% is principally due to higher purchases of ordinary receivables without recourse and higher interest on late payments collected in 2005.

Depreciation of tangible assets and **amortization** of intangible assets total Euros 2,421 thousand, an increase of Euros 509 thousand from the prior year due mainly to investments to arrange the office space of the building in Milan.

Extraordinary income and expenses amount to Euros 1,667 thousand and include extraordinary expenses of Euros 1,729 thousand and extraordinary income of Euros 62 thousand, with an increase over the prior year of Euros 1,565 thousand.

The increase is principally due to the donation of artistic patrimony by Farmafactoring S.p.A. to the Farmafactoring Foundation for Euro 1,351 thousand on December 31, 2005.

In regards to the assets of the company, **receivables due from customers** amount to Euros 1,156,003 thousand with a decrease of 4.90%.

This item mainly includes receivables overdue and purchased without recourse and due from the National Health System and other entities of the Public Administration. Legal action has been taken with the aim of accelerating credit recovery, although, as disclosed in the Notes, no adjustment has been made to receivables at December 31, 2005, as regards principal, in view of the solvency of the debtors.

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

Other current assets amount to Euros 26,792 thousand and increased by Euros 7,419 thousand from the end of 2004, mainly as a result of higher tax advances paid.

Net fixed assets amount to Euros 13,570, a decrease of Euros 437 thousand from the previous year. The reduction of net fixed assets is due to the above-mentioned donation of artistic patrimony to the Farmafactoring Foundation for Euros 1,351 thousand and is offset by the investments made for the building in Milan during the year.

Due to banking institutions, financial institutions and liabilities represented by securities of Euros 924,800 thousand increased by Euros 226,043 thousand. The higher exposure is due to the increase in the volumes of ordinary receivables purchased without recourse.

Due to customers decreased by Euros 141,095 thousand compared to the prior year. The reduction is in the exposure to assignors which last year had included the amount for the purchase of receivables from the Lazio Region which was paid in 2005.

The other amounts which compose the balance refer to financial payables due to the parent company Confarma S.p.A. for Euros 8,500 thousand.

Accrued liabilities and deferred income amount to Euros 34,660 thousand and increased by Euros 3,278 thousand compared to 2004.

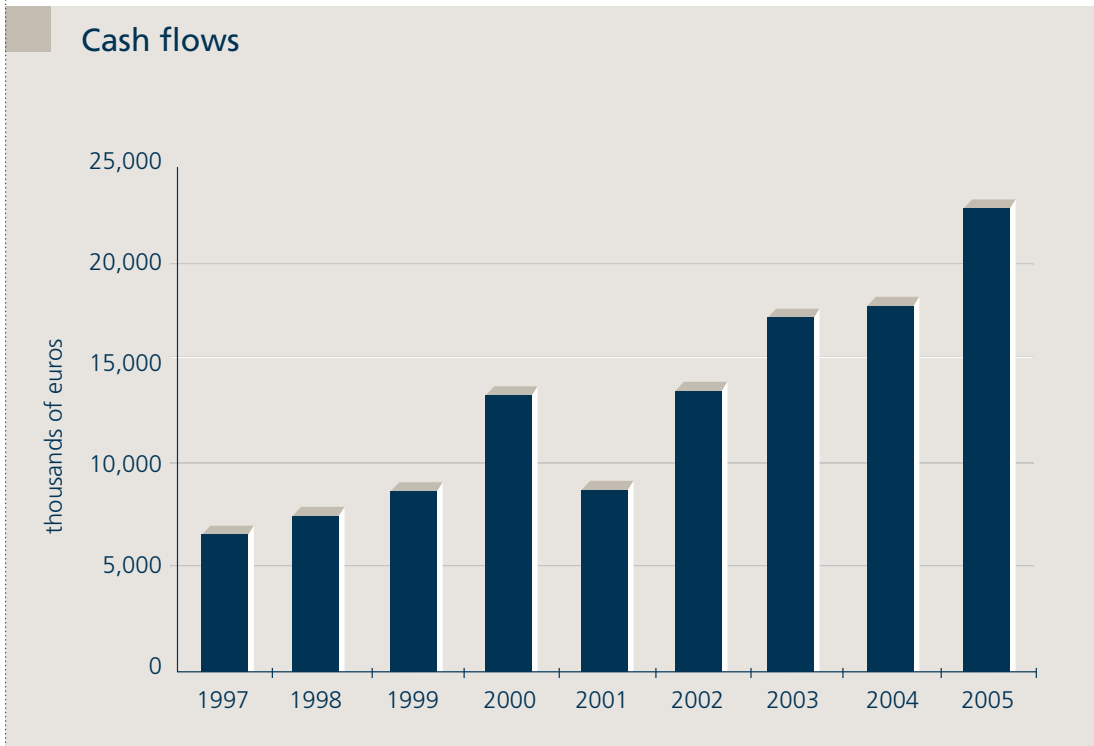
The **credit risk provision** amounts to Euros 26,513 thousand and the related accrual of Euros 5,000 thousand, as in prior years, takes into account only current potential uncollectible receivables and credit risks as described in the Notes under the comments on "Item 90".

The accrual was made to keep the ratio between the Credit risk provision and the receivables outstanding at the end of the year substantially unchanged compared to the prior year.

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 22,345 thousand compared to Euros 17,689 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 June 25, 2005 are presented as follows:

Reclassified balance sheet

	(in thousands of euros)			
	12.31.2005	12.31.2004	Change	%
Assets				
Cash on hand	10	14	(4)	(28.57)
Receivables:				
- due from banking institutions	187,511	43,573	143,938	330.34
- due from financial institutions	30,984	36,981	(5,997)	(16.22)
- due from customers	1,156,003	1,215,618	(59,615)	(4.90)
	1,374,508	1,296,186	78,322	6.04
Other current assets	26,792	19,373	7,419	38.30
<i>Total current assets</i>	<i>1,401,300</i>	<i>1,315,559</i>	<i>85,741</i>	<i>6.52</i>
<i>Fixed assets</i>				
Investments	27	27	0	0.00
Buildings	15,487	11,010	4,477	40.66
Office furniture and machines	6,665	6,698	(33)	(0.49)
Deferred charges	403	1,785	(1,382)	(77.42)
Less: accumulated depreciation/amortization	(9,012)	(5,513)	(3,499)	63.47
<i>Total net fixed assets</i>	<i>13,570</i>	<i>14,007</i>	<i>(437)</i>	<i>(3.12)</i>
Total assets	1,414,870	1,329,566	85,304	6.42
Liabilities and shareholders' equity				
Liabilities:				
- due to banking institutions	887,000	665,240	221,760	33.34
- represented by securities	37,800	33,517	4,283	12.78
- due to customers	97,518	238,613	(141,095)	(59.13)
	1,022,318	937,370	84,948	9.06
Other liabilities				
Accrued liabilities and deferred income	34,660	31,382	3,278	10.45
Sundry liabilities	9,703	8,332	1,371	16.45
Provisions for liabilities and expenses	13,312	18,861	(5,549)	(29.42)
Credit risk provision	26,513	21,513	5,000	23.24
General financial risk provision	7,387	7,387	0	0.00
<i>Total other liabilities</i>	<i>91,575</i>	<i>87,475</i>	<i>4,100</i>	<i>4.69</i>
<i>Total current liabilities</i>	<i>1,113,893</i>	<i>1,024,845</i>	<i>89,048</i>	<i>8.69</i>
Medium/long-term liabilities				
Employees' severance indemnity	980	868	112	12.90
Medium/long-term debt	207,932	228,500	(20,568)	(9.00)
<i>Total medium/long-term liabilities</i>	<i>208,912</i>	<i>229,368</i>	<i>(20,456)</i>	<i>(8.92)</i>
Total liabilities	1,322,805	1,254,213	68,592	5.47
Shareholders' equity				
Share capital	65,000	55,000	10,000	18.18
Reserves	4,896	4,115	781	18.98
Retained earnings	2,433	628	1,805	287.42
Net profit for the year	19,736	15,610	4,126	26.43
<i>Total shareholders' equity</i>	<i>92,065</i>	<i>75,353</i>	<i>16,712</i>	<i>22.18</i>
Total liabilities and shareholders' equity	1,414,870	1,329,566	85,304	6.42

Reclassified income statement

(in thousands of euros)

	12.31.2005	12.31.2004	Change	%
Income from ordinary operations				
Commission income	71,773	58,600	13,173	22.48
Interest income and similar revenues	36,126	30,976	5,150	16.63
	107,899	89,576	18,323	20.46
Financial expenses				
Interest expenses and similar charges	51,150	42,419	8,731	20.58
Commission expenses	276	279	(3)	(1.08)
	51,426	42,698	8,728	20.44
Profit from ordinary operations	56,473	46,878	9,595	20.47
Net operating expenses				
Payroll expenses	4,027	3,514	513	14.60
Other administrative expenses	8,989	7,888	1,101	13.96
	13,016	11,402	1,614	14.16
Operating profit	43,457	35,476	7,981	22.50
Accruals				
Depreciation and amortization	2,421	1,912	509	26.62
Accruals to credit risk provision	5,000	7,300	(2,300)	(31.51)
Accruals to general financial risk provision	0	0	0	0.00
Accruals to provisions for liabilities and expenses	217	383	(166)	(43.34)
<i>Total</i>	<i>7,638</i>	<i>9,595</i>	<i>(1,957)</i>	<i>(20.40)</i>
Extraordinary income (expenses)	(1,667)	(102)	(1,565)	1.534.31
Profit before taxes	34,152	25,779	8,373	32.48
Income taxes	14,416	10,169	4,247	41.76
Net profit for the year	19,736	15,610	4,126	26.43

Human resources

Employees numbered 59 at year-end. The breakdown of employees shows 3 managers, 12 officers and 44 staff. The number of employees increased by three 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 extended delays in payment.

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

Future outlook

According to the guidelines dictated by the 2006 budget approved by the board of directors on January 23, 2006, Farmafactoring will continue the policy commenced in past years, 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.

Business developments

General policy

During 2005, investments were made in Information Technology for the development of new software applications to improve the security and performance of the systems.

The systems, in fact, must cope with the ever increasing volume of data to be managed and the 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:

- Development of software modules to raise the level of automation of the different operational activities carried out with the assignors.
- Development of a software module which allows regional settlements to be managed, from the identification of the receivable to its certification by the debtor.
- Activation of the new integrated Market Risk Management system.
- 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 8,500 thousand, stipulated on the basis of normal market conditions. The company also has factoring arrangements and the mandate for the management and collection of receivables with shareholder companies of the parent company at normal market conditions.

Financial risk management objectives and policies

The purchase of receivables without recourse constitutes the principal factor upon which the financial policies of the company are based, both in quantitative and qualitative terms.

The correlation between the expected financial flows, originating from the receivables purchased without recourse, the amount of the underlying financing and the curve of the expected interest rates for the above exposures, require a careful evaluation of the risks represented by fluctuations in the market rates (interest rate risk) and the structuring of an adequate system for the raising of funding requirements (liquidity risk).

The commitments, represented by the purchase of receivables without recourse, are at fixed rates whereas the funding, obtained from both short- and medium/long-term loans is at the Euribor rates.

To hedge the risks of fluctuations in the interest rates, derivative financial contracts have been put into place mainly for estimated exposure beyond 12 months.

The credit lines agreed with the banks and the medium- and long-term transactions put into place, also through syndicated loans, allow the company to adequately correlate the loans with the period the funds are used.

The monitoring of these risks is periodically summarized in a Financial Report drawn up for top management and the board of directors.

The company does not consider the credit risk to be significant since exposure is with public agencies.

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 that have already been mentioned.

Proposed appropriation of net profit

Dear shareholders,

The financial statements for the year ending December 31, 2005, show a net profit of Euros 19,735,745. As for the appropriation of net profit, we submit the following proposal:

	(in euros)
Net profit	19,735,745
-5% to the legal reserve	986,787
	18,748,958
To the shareholders	
Euros 2.33 for each of the 1,300,000 shares	3,029,000
To retained earnings	15,719,958

After the appropriation of the net profit, the Legal reserve will total Euros 5,794,124 and Retained earnings will amount to Euros 18,153,217.

You are also called to the extraordinary session to vote on the bonus increase in share capital from Euros 65,000,000 to Euros 80,000,000 drawn from "Retained earnings" for Euros 15,000,000 and the contextual issue of 300,000 new shares.

After this increase, "Retained earnings" will be reduced to Euros 3,153,217.

The Board of Directors
The Chairman and CEO
Marco Rabuffi

Balance sheet

(in euros)

Assets	12.31.2005	12.31.2004	Change	%
10 Cash on hand	10,805	14,574	(3,769)	(25.86)
20 Due from banking institutions	187,511,613	43,572,503	143,939,110	330.34
a) on demand	92,300,677	43,572,503	48,728,174	111.83
b) other	95,210,936	0	95,210,936	100.00
30 Due from financial institutions	30,983,700	36,981,015	(5,997,315)	(16.22)
a) on demand	30,983,700	36,981,015	(5,997,315)	(16.22)
40 Receivables from customers	1,156,003,437	1,215,618,382	(59,614,945)	(4.90)
of which: for factoring transactions	1,148,772,292	1,208,252,745	(59,480,453)	(4.92)
of which: for factoring transactions at amounts other than nominal value	1,622,389	2,593,195	(970,806)	(37.44)
70 Investments	26,887	26,887	0	-
90 Intangible assets	403,209	1,785,286	(1,382,077)	(77.41)
100 Tangible assets	13,138,524	12,194,520	944,004	7.74
130 Other assets	24,848,462	18,382,596	6,465,866	35.17
140 Accrued income and prepaid expenses	1,944,353	990,103	954,250	96.38
a) accrued income	163	2,540	(2,377)	(93.58)
b) prepaid expenses	1,944,190	987,563	956,627	96.87
Total Assets	1,414,870,990	1,329,565,866	85,305,124	6.42

(in euros)

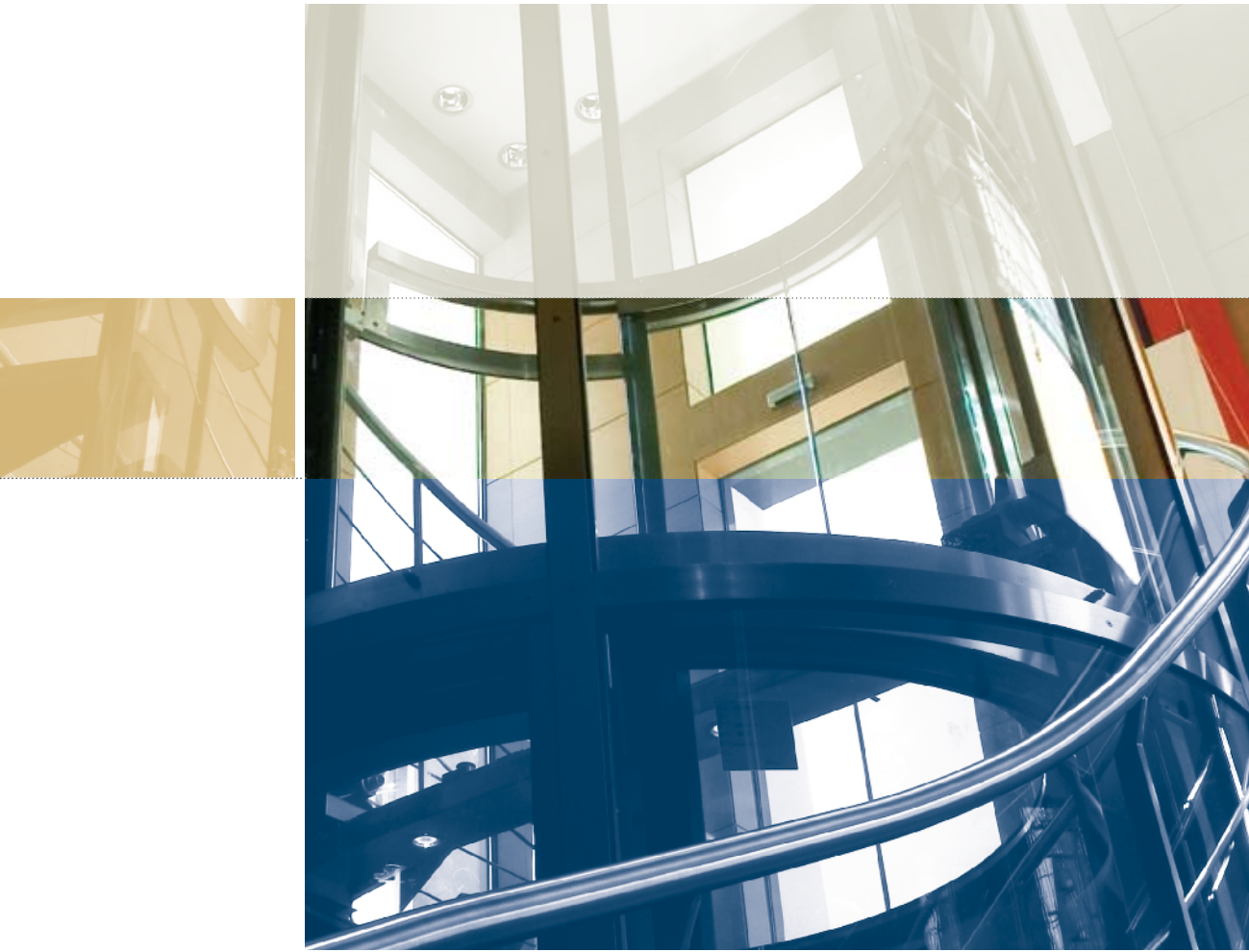
Liabilities and Shareholders' equity	12.31.2005	12.31.2004	Change	%
10 Due to banking institutions	1,094,932,269	893,738,000	201,194,269	22.51
a) on demand	38,000,000	23,000,000	15,000,000	65.22
b) term or notice	1,056,932,269	870,738,000	186,194,269	21.38
30 Due to customers	97,518,098	238,613,492	(141,095,394)	(59.13)
a) on demand	97,518,098	238,613,492	(141,095,394)	(59.13)
of which: for factoring transactions	0	121,979	(121,979)	(100.00)
40 Liabilities represented by securities	37,800,000	33,517,000	4,283,000	12.78
b) other securities	37,800,000	33,517,000	4,283,000	12.78
50 Other liabilities	9,703,153	8,331,788	1,371,365	16.46
60 Accrued liabilities and deferred income	34,659,557	31,382,140	3,277,417	10.44
a) accrued liabilities	2,090,335	1,069,451	1,020,884	95.46
b) deferred income	32,569,222	30,312,689	2,256,533	7.44
70 Employees' severance indemnity	980,603	868,332	112,271	12.93
80 Provisions for liabilities and expenses	13,312,004	18,860,553	(5,548,549)	(29.42)
b) provision for taxes	12,821,524	18,222,883	(5,401,359)	(29.64)
c) other provisions	490,480	637,670	(147,190)	(23.08)
90 Credit risk provision	26,513,295	21,513,295	5,000,000	23.24
100 General financial risk provision	7,387,366	7,387,366	0	-
120 Share capital	65,000,000	55,000,000	10,000,000	18.18
140 Reserves	4,895,641	4,115,120	780,521	18.97
a) legal reserve	4,807,337	4,026,816	780,521	19.38
d) other reserves	88,304	88,304	0	-
160 Retained earnings	2,433,259	628,366	1,804,893	287.24
170 Net profit for the year	19,735,745	15,610,414	4,125,331	26.43
Total Liabilities and Shareholders' equity	1,414,870,990	1,329,565,866	85,305,124	6.42

Income statement

(in euros)				
Costs	2005	2004	Change	%
10 Interest expenses and similar charges	51,150,183	42,419,297	8,730,886	20.58
20 Commission expenses	276,210	278,957	(2,747)	(0.98)
40 Administrative expenses	16,089,851	15,188,175	901,676	5.94
a) payroll expenses of which:	4,026,787	3,514,289	512,498	14.58
- salaries and wages	2,895,685	2,529,315	366,370	14.48
- social security charges	942,762	817,944	124,818	15.26
- employees' severance indemnity	188,340	167,030	21,310	12.76
b) other administrative expenses	12,063,064	11,673,886	389,178	3.33
50 Depreciation and amortization	2,420,960	1,911,739	509,221	26.64
70 Accruals to provisions for liabilities and expenses	217,494	383,219	(165,725)	(43.25)
80 Accruals to credit risk provision	5,000,000	7,300,000	(2,300,000)	(31.51)
110 Extraordinary expenses	1,729,066	239,206	1,489,860	622.84
130 Income taxes	14,416,100	10,168,967	4,247,133	41.77
140 Net profit for the year	19,735,745	15,610,414	4,125,331	26.43
Total Costs	111,035,609	93,499,974	17,535,635	18.75

(in euros)

Revenues	2005	2004	Change	%
10 Interest income and similar revenues	36,126,156	30,976,388	5,149,768	16.62
of which:				
- for factoring transactions	35,585,886	30,020,499	5,565,387	18.54
30 Commission income	69,567,973	58,270,915	11,297,058	19.39
70 Sundry operating income	5,279,594	4,115,679	1,163,915	28.28
80 Extraordinary income	61,886	136,992	(75,106)	(54.83)
Total Revenues	111,035,609	93,499,974	17,535,635	18.75



Farmafactoring, sede di Milano
*Ascensore e scala di collegamento
tra l'atrio e l'Auditorium*

To the Shareholders,

The financial statements for the year ended December 31, 2005, which we submit 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. Reference was made to the Italian Civil Code for areas not governed by the special law, taking into account Italian accounting principles, updated by the new provisions consequent to the enactment of Legislative Decree No. 6 dated January 17, 2003.

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.

The board of statutory auditors is entrusted 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 PricewaterhouseCoopers S.p.A. and the independent auditors' report is attached herein.

Consistent with prior years, the financial statements consist of the balance sheet and the income statement and the notes to the financial statements, together with the Directors' Report on Operations, the statement of changes in shareholders' equity and the statement of cash flows.

The financial statements and the Notes are expressed in units of euros, without cents.

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". The company recorded deferred tax assets for which there is a reasonable certainty of recovery against sufficient future taxable income.

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.

Depreciation is calculated on the basis of rates which represent the technical and economic use of the assets and reflect the estimated useful lives of the assets.

The depreciation rates for the various asset categories are as follows:

Buildings (civil)	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 average 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 into that would warrant taxation.

General financial risk provision

This provision covers the general risk of the company and, therefore, is similar to an equity reserve as provided by the instructions for the preparation of the financial statements of financial entities issued by Banca d'Italia.

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 collection 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 the 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.

The amounts recognized in the income statement represent the actual amount received for the year.

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 10,805

The balance shows a decrease of Euros 3,769. Cash on hand is represented by the cash fund and liquidity on the postal account.

20. Due from banking institutions

Euros 187,511,613

Due from banking institutions represents the current bank account balances of the company at December 31, 2005 due from banks for Euros 92,300,677 and other amounts due from Deutsche Bank Luxembourg S.A. for Euros 95,210,936.

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.

The balance consists of amounts due on demand and, therefore, is included in the short-term category "up to three months".

With regard to the total due from Deutsche Bank Luxembourg S.A., this amount refers to the transaction for sale of receivables concluded on November 17, 2005 for a portfolio of receivables due from the ASLs and AOs referring to a settlement agreement of the Calabria Region.

During the early months of 2006, the credit institute paid the amount in full.

30. Due from financial institutions

Euros 30,983,700

This amount mainly refers to the 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.

40. Receivables from customers

Euros 1,156,003,437

Receivables from customers decreased overall by Euros 59,614,945 due to the sale of receivables of Euros 95 million to Deutsche Bank Luxembourg S.A. on November 17, 2005 with a consequent increase in the item due from banking institutions.

The analysis of receivables included in the balance is as follows:

- Receivables for factoring transactions: Euros 1,148,772,292. These mainly consist of receivables purchased without recourse at nominal value.
- Receivables for factoring transactions purchased at amounts other than nominal value total Euros 1,622,389 and decreased by Euros 970,806 compared to 2004.
- Loans receivable from assignors: Euros 1,674,560. These consist of the advances made against receivables entrusted for collection management.
- Income receivable from assignors to be invoiced: Euros 1,677,239. These include interest and commissions earned in 2005, but invoiced in 2006.
- Legal fees receivable from assignors: Euros 2,256,956. These refer to receivables for advances made on behalf of assignors.
- Receivables for interest on late payments matured at December 31, 2005 amount to Euros 154,476,070 and were entirely written off by an accrual to the provision for interest on late payments for the same amount.

Uncollectible receivables and interest on late payments of receivables

The receivables, mainly overdue when purchased, are considered collectible for the portion regarding principal and there are no positions considered uncollectible in view of the company's particular business and the legal nature of the debtors.

Legal action has been taken with the aim of accelerating credit recovery, although no adjustment has been made to receivables at December 31, 2005, as regards principal, in view of the solvency of the debtors, and also because of the absence of any losses on receivables, as regards principal, up to December 31, 2005, even though the above legal action has been taken. However, it was decided to set aside an additional amount in the "Credit risk provision" to cover only potential risks.

The accrual was made to keep the ratio between the Credit risk provision and the amount of receivables outstanding at year-end substantially unchanged, compared to the prior year.

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.

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

	(in euros)
Balance at December 31, 2004	116,384,546
Interest collected during year	(12,548,146)
Accrual during year	50,639,670
Balance at December 31, 2005	154,476,070

As stated in the Report on Operations, certain settlement agreements were executed with ASLs (Local Health Service Agencies) and AOs (Hospital Companies) of the Lazio, Calabria and Abruzzi Regions regarding receivables of more than Euros 400 million due from entities with extremely lengthy delays in payment times.

These settlement agreements, entered into in order to pursue a sales objective and market strategy, made it possible to anticipate the collection times of receivables, with regard to principal, and gave rise to interest income on late payments of about Euros 0.7 million against an amount earned on receivables in portfolio of about Euros 10 million.

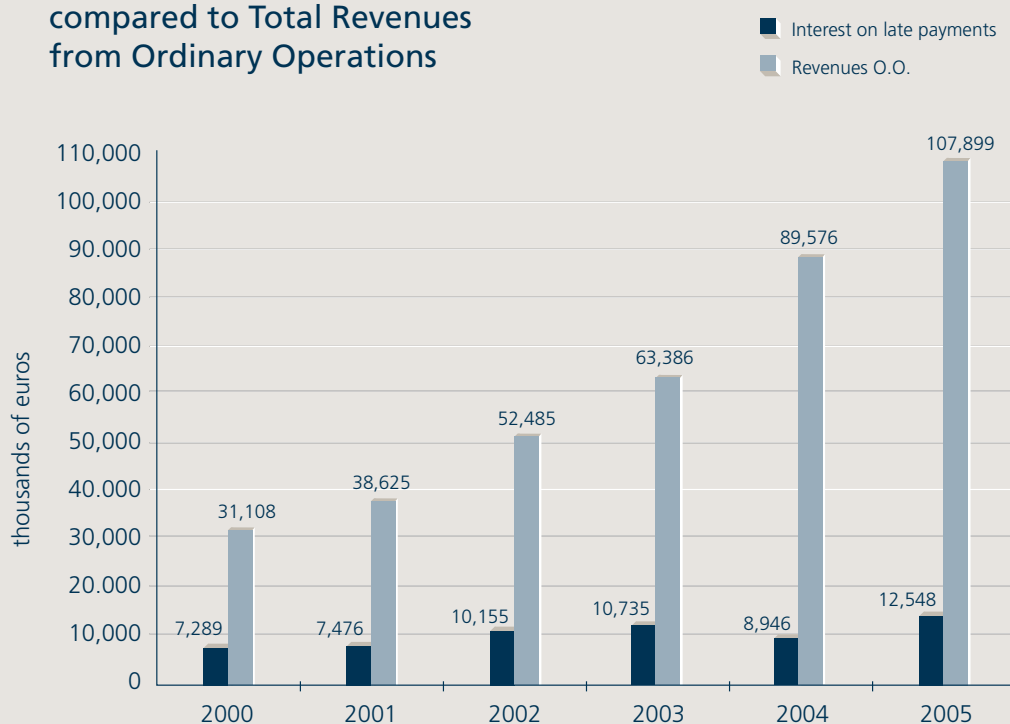
In addition to these amounts, the company issued credit notes for interest on late payments for Euros 7 million during 2005.

If the company had not taken part in these transactions, there would have been the risk of extending the collection times considerably beyond the funding period estimated by the company when the receivables themselves were purchased.

The increase in receivables for interest on late payments in 2005 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.

The trend in the collections of interest for late payments against revenues from ordinary operations over the last few years is presented in the following bar chart:

Collections of Interest on Late Payments compared to Total Revenues from Ordinary Operations



An analysis of receivables from customers at December 31, 2005 is provided by maturity date as follows:

(in euros)	
Maturity	Amount
Up to three months	5,608,755
From three months to one year	0
From one to five years	0
Unspecified maturity	1,150,394,682
Total	1,156,003,437

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
Nomisma S.p.A.	26,887	72,667	0.37	0.503%

The main data of Nomisma S.p.A. is as follows:

Registered office	Bologna - Strada Maggiore n. 34
Share capital	5,345,328
Shareholders' equity	4,864,977
Loss for the year	(112,862)

90. Intangible assets

Euros 403,209

Changes in intangible assets can be summarized as follows:

	(in euros)
Beginning balance	1,785,286
Increases	
Acquisitions	283,043
Reinstatements	
Revaluations	
Other changes	
Decreases	
Disposals	
Other changes	1,413,022
Value adjustments:	0
a) amortization	252,098
b) permanent impairments	0
Ending balance	403,209
Total adjustments	0
a) amortization	3,799,178
b) permanent impairments	0

	(in euros)		
	Historical cost	Accumulated Amortization	Net book value
Company brand	11,224	11,224	0
Restructuring costs	123,428	100,126	23,301
Studies and research	89,777	89,777	0
Investment in new EDP programs	3,830,317	3,450,409	379,908
Share capital increase costs	147,642	147,642	0
Total	4,202,388	3,799,178	403,209

An analysis of intangible assets shows the following changes:

	(in euros)				
	12.31.2004	Increases	Decreases	Transfers	12.31.2005
Data transmission system	45,965	0	0	(45,965)	0
Restructuring costs	46,610	0	23,309	0	23,301
Leasehold improvements	1,367,057	0	0	(1,367,057)	0
Investment in new EDP programs	325,654	283,042	228,788	0	379,908
Total	1,785,286	283,042	252,097	(1,413,022)	403,209

During 2005, the company allocated the restructuring costs of the buildings in Milan and Rome, which had been charged to intangible assets in prior years, to tangible assets for a net amount of Euros 1,367,057.

Plant expenses were also reclassified to tangible assets under "internal plant" for a net amount of Euros 45,965.

These reclassifications were made to achieve a more appropriate allocation of the assets without, however, altering the remaining useful life.

100. Tangible assets

Euros 13,138,524

Changes in tangible assets can be summarized as follows:

	(in euros)
Beginning balance	12,194,520
Increases	
Acquisitions	3,060,613
Reinstatement of values:	
Revaluations	
Other changes	1,413,023
Decreases	
Disposals	1,360,771
Value adjustments:	
a) depreciation	2,168,861
b) permanent impairments	
Ending balance	13,138,524
Revaluations	
Total adjustments:	
a) depreciation	9,013,539
b) permanent impairments	

Tangible assets consist of the following items:

	(in euros)		
	Gross asset value	Accumulated depreciation	Net book value
Buildings	15,487,483	4,257,083	11,230,400
Internal plant	2,449,569	1,451,365	998,204
Furniture and fixtures	1,383,358	993,872	389,486
Office equipment	2,414,341	2,155,969	258,372
Furnishings	57,616	51,122	6,494
Equipment	337,567	87,532	250,035
Motor vehicles	22,129	16,596	5,533
Total	22,152,063	9,013,539	13,138,524

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:

(in euros)					
Gross asset value	12.31.04	Purchases	Decreases	Transfers	12.31.05
Buildings	11,010,390	1,756,155	0	2,720,938	15,487,483
Internal plant	1,749,825	566,538	21,175	154,381	2,449,569
Furniture and fixtures	1,290,320	93,038	0	0	1,383,358
Office equipment	2,354,693	72,157	12,509	0	2,414,341
Furnishings	1,164,430	352,050	1,458,864	0	57,616
Equipment	116,892	220,675	0	0	337,567
Motor vehicles	22,129	0	0	0	22,129
Total	17,708,679	3,060,613	1,492,548	2,875,319	22,152,063

During the course of the year, investments were made increasing the value of the building in Milan by restructuring and reorganizing the office space. As mentioned earlier, in these financial statements, the company reclassified the expenses referring to the buildings in Milan and Rome and the "internal plant", which had been charged to intangible assets in prior years, to tangible assets.

With regard to plant, the most important investment refers to the air-conditioning system for an amount of about Euros 300 thousand. The decrease in furnishings is due to the donation of artistic patrimony made on December 12, 2005 to the "Farmafactoring Foundation" for Euros 1,351,285.

(in euros)					
Accumulated depreciation	12.31.04	Increases	Decreases	Transfers	12.31.05
Buildings	1,717,057	1,186,145	0	1,353,881	14,257,083
Internal plant	964,779	392,464	14,293	108,415	1,451,365
Furniture and fixtures	811,769	182,103	0	0	993,872
Office equipment	1,813,984	354,494	12,509	0	2,155,969
Furnishings	151,703	4,394	104,975	0	51,122
Equipment	49,335	38,197	0	0	87,532
Motor vehicles	5,532	11,064	0	0	16,596
Total	5,514,159	2,168,861	131,777	1,462,296	9,013,539

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

(in euros)					
Net book value	12.31.04	Increases	Decreases	Transfers	12.31.05
Buildings	9,293,332	1,756,154	1,186,145	1,367,057	11,230,398
Internal plant	785,046	545,362	378,170	45,965	998,203
Furniture and fixtures	478,553	93,039	182,103	0	389,489
Office equipment	540,709	59,649	341,985	0	258,373
Furnishings	1,012,725	(1,106,815)	(100,581)	0	6,491
Equipment	67,558	220,675	38,197	0	250,037
Motor vehicles	16,597	0	11,064	0	5,533
Total	12,194,520	1,568,064	2,037,083	1,413,022	13,138,524

130. Other assets

Euros 24,848,462

Compared to the prior year, this item increased by Euros 6,465,866 due primarily to higher on-account tax payments made during the year.

The total is made up of the following items:

	12.31.2005	12.31.2004
Receivables from tax authorities:		
- Withholding taxes receivable	135,492	137,000
- Ires and Irap on-account payments	18,276,383	10,087,078
- Deferred tax assets	6,243,324	8,002,112
- Advances paid against employees' severance indemnity	14,585	19,952
Total receivables from tax authorities	24,669,784	18,246,142
Supplier and legal advances	24,865	12,648
Security deposits and similar	153,813	123,806
Balance at December 31, 2005	24,848,462	18,382,596

Deferred tax assets have been calculated using the rate of 33% for Ires and 5.25% for Irap for 2006 and the years thereafter.

The movements in deferred tax assets are as follows:

		(in euros)
1 - Beginning balance		8,002,112
2 - Increases:		
2.1 Deferred tax assets arising during year	109,405	
2.2 Other increases	0	
		109,405
3 - Decreases:		
3.1 Deferred tax assets reversing during year	1,868,193	
3.2 Other decreases	0	
		(1,868,193)
4 - Ending balance		6,243,324

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

	Amount of temporary differences	Rate	Tax effect
(in euros)			
Deferred tax assets at 12/31/2004:			
Entertainment expenses	112,181	38.25%	42,909
Maintenance	-	38.25%	-
Securitization charges	20,428,677	38.25%	7,813,969
Accrual to the "provisions for liabilities and expenses"	300,000	38.25%	114,750
Accrual for renewal of the collective national labor contract	40,000	33.00%	13,200
Other	45,188	38.25%	17,283
Deferred tax assets at 12/31/2004	20,926,046		8,002,112
Reversals of deferred taxes in 2005:			
Entertainment expenses	(41,199)	38.25%	(15,759)
Accrual for renewal of the collective national labor contract	(40,000)	33.00%	(13,200)
Accrual to the "provisions for liabilities and expenses"	(300,000)	38.25%	(114,750)
Securitization charges	(4,481,050)	38.25%	(1,714,002)
Other	(27,407)	38.25%	(10,483)
(-) Reversals of deferred taxes in 2005	(4,889,656)		(1,868,193)
Deferred tax benefits in 2005:			
Entertainment expenses	76,027	38.25%	29,080
Accrual to the "provisions for liabilities and expenses"	210,000	38.25%	80,325
(+) Deferred tax benefits in 2005	286,027		109,405
Deferred tax assets at 12/31/2005:			
Entertainment expenses	147,009	38.25%	56,231
Securitization charges	15,947,627	38.25%	6,099,967
Accrual to the "provisions for liabilities and expenses"	210,000	38.25%	80,325
Other	17,781	38.25%	6,800
Deferred tax assets at 12/31/2005	16,322,417		6,243,324

The most significant item refers to the remaining deferred tax assets from 2004 in respect of 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 are in reference to the 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 on the basis of rulings by the Tax Administration.

The remaining amount of such deferred tax assets at December 31, 2005 is Euros 6,099,967.

140. Accrued income and prepaid expenses

Euros 1,944,353

a) Accrued income Euros 163

b) Prepaid expenses Euros 1,944,190

Prepaid expenses consist of commissions on loans of Euros 1,742,754, interest on commercial paper of Euros 80,515 and other minor amounts.

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

Liabilities and Shareholders' equity

10. Due to banking institutions

Euros 1,094,932,269

a) on demand Euros 38,000,000

This represents the exposure with banking institutions for loans on demand of Euros 38,000,000.

b) term or notice Euros 1,056,932,269

The item shows the year-end balance of loans granted to the company by banking institutions. Debt with banking institutions increased by Euros 201,194,269 compared to the prior year due to higher purchases of ordinary receivables.

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

	(in euros)
Maturity	Amount
Up to three months	272,000,000
From three months to one year	265,500,000
From one to five years	519,432,269
Unspecified maturity	
Total	1,056,932,269

30. Due to customers

Euros 97,518,098

a) on demand Euros 97,518,098

The amounts due to customers show an decrease of Euros 141,095,394 compared to December 31, 2004 mainly due to the reduction in the amounts due to assignors.

These amounts due total Euros 88,879,820 compared to Euros 231,286,919 at the end of 2004 when they had included the purchases of receivables of the Lazio Region that were paid during 2005 for approximately Euros 200 million.

The item also includes amounts due to the parent company, Confarma S.p.A. for a loan received of Euros 8,500,000 and other amounts due of Euros 138,278.

The following is an analysis of amounts due, by type and maturity date, as of December 31, 2005:

(in euros)				
Maturity	Banking	Financial	Customers	Total
Up to three months	310,000,000	0	97,518,098	407,518,098
From three months to one year	265,500,000	0	0	265,500,000
From one to five years	519,432,269	0	0	519,432,269
Over five years	0	0	0	0
Total	1,094,932,269	0	97,518,098	1,192,450,367

40. Liabilities represented by securities

Euros 37,800,000

b) Other securities Euros 37,800,000

This item refers to commercial paper and indicates recourse to the market for this form of financing; the balance increased by Euros 4,283,000 compared to the prior year.

(in euros)	
Maturity	Amount
Up to three months	37,800,000
From three months to one year	0
From one to five years	0
Unspecified maturity	0
Total	37,800,000

50. Other liabilities

Euros 9,703,153

Compared to the previous year, other liabilities increased by Euros 1,371,365 mainly as a result of the increase in collections pending allocation which rose from Euros 2,750,583 to Euros 4,242,942.0

Other liabilities include:

	(in euros)
Collections pending allocation	4,242,942
Invoices to be received for interest payable to assignors	373,451
Invoices to be received for payables to consultants and professionals	2,114,001
Trade payables and invoices to be received	1,659,563
Collections received on behalf of others to be paid out	270,090
Accrued compensation to employees	408,310
Withholding taxes on payrolls and self-employed work	390,685
Payables to social security agencies	167,391
Other minor amounts	76,720
Total	9,703,153

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

60. Accrued liabilities and deferred income

Euros 34,659,557

a) accrued liabilities *Euros 2,090,335*

The item primarily refers to accrued interest on loans for Euros 1,942,412, costs on financial derivative contracts to hedge risks for Euros 101,502 and general expenses for Euros 46,421.

b) deferred income *Euros 32,569,222*

Deferred income of Euros 32,569,222 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 for the management of receivables up to the time of actual collection.

70. Employees' severance indemnity

Euros 980,603

This covers all amounts to which employees are entitled at December 31, 2005; the following changes took place during the year:

	(in euros)
Balance at December 31, 2004	868,332
Used for payments upon termination of employment	(4,864)
Advance payments	(19,172)
Used for pension fund	(52,033)
Accruals	188,340
Balance at December 31, 2005	980,603

80. Provisions for liabilities and expenses

Euros 13,312,004

These include:

b) Provision for taxes Euros 12,821,524

The movements in the provision are as follows:

	(in euros)
Balance at December 31, 2004	18,222,883
Accruals	12,657,312
Used for tax payments	(18,058,671)
Balance at December 31, 2005	12,821,524

Accruals were provided during the year on the basis of the estimated tax charges for the current year: Ires taxes of Euros 10,486,706 and Irap taxes of Euros 2,170,606.

c) Other provisions Euros 490,480

The balance of other provisions mainly refers to employees' accrued holiday pay.

The movements in the provision are as follows:

	(in euros)
Balance at December 31, 2004	637,670
Used during the year	(364,684)
Accruals	217,494
Balance at December 31, 2005	490,480

90. Credit risk provision

Euros 26,513,295

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

This provision, consequently, serves merely as a protective measure against credit risks and the accrual was made to keep the ratio between the Credit risk provision and the amount of receivables outstanding at year-end substantially unchanged, compared to the prior year.

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

	(in euros)
Balance at December 31, 2004	21,513,295
Used during the year	0
Accruals	5,000,000
Balance at December 31, 2005	26,513,295

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:

	(in euros)
Balance at December 31, 2004	7,387,366
Used during the year	0
Accruals	0
Balance at December 31, 2005	7,387,366

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

120. Share capital

Euros 65,000,000

Share capital consists of 1,300,000 ordinary shares with a par value of Euros 50 each.

The shareholders, in the extraordinary shareholders' meeting of June 20, 2005, passed a resolution to increase share capital from Euros 55,000,000 to Euros 65,000,000 in the form of a bonus increase drawn from retained earnings

140. Reserves

Euros 4,895,641

a) Legal reserve Euros 4,807,337

The increase of Euros 780,521 over the previous year is due to the appropriation of net profit for the year ending December 31, 2004, as voted by the shareholders' meeting on June 20, 2005.

d) Other reserves Euros 88,304

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

160. Retained earnings

Euros 2,433,259

The increase of Euros 1,804,893 compared to the prior year is due to the appropriation of the net profit for the year ended December 31, 2004 as voted by the shareholders' meeting on June 20, 2005.

	(in euros)
Balance at December 31, 2004	628,366
Appropriation of net profit	11,804,893
Drawn for share capital increase	(10,000,000)
Balance at December 31, 2005	2,433,259

The statement of changes in shareholders' equity for 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 37,800,000 against outstanding commercial paper at year-end.

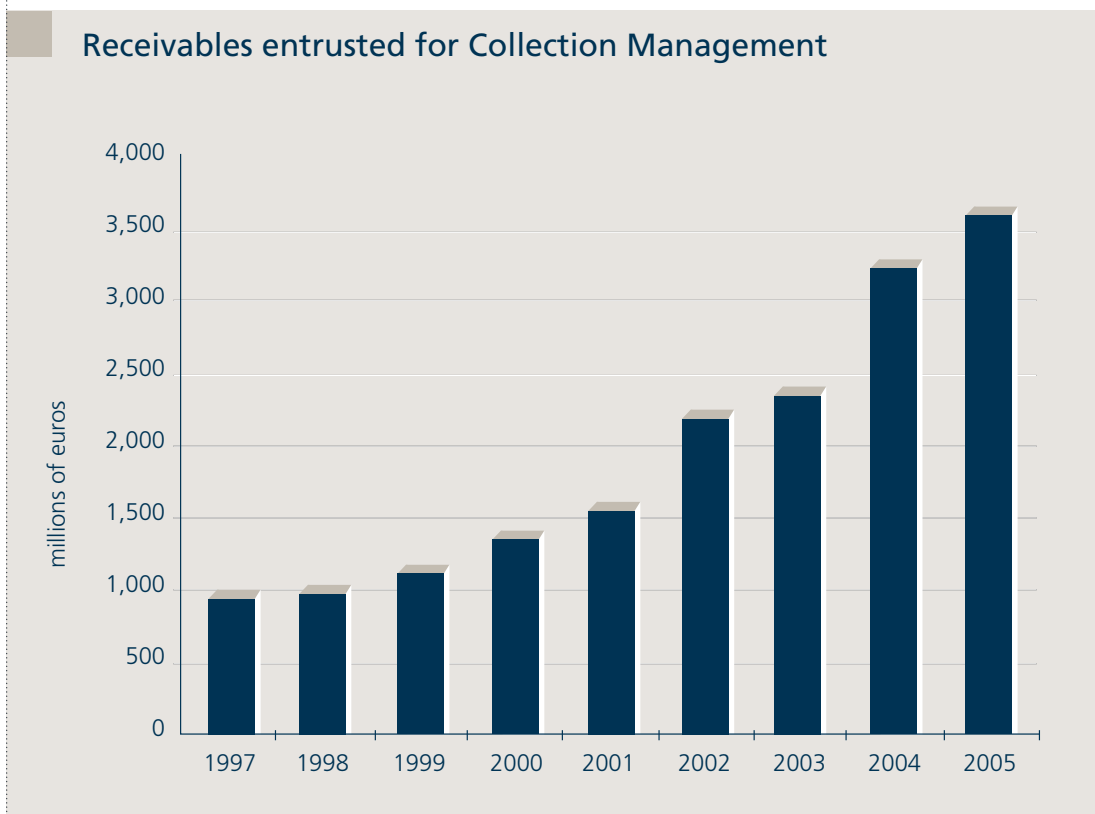
Guarantees

The company has received guarantees, against receivables purchased without recourse, for Euros 296,671,174.

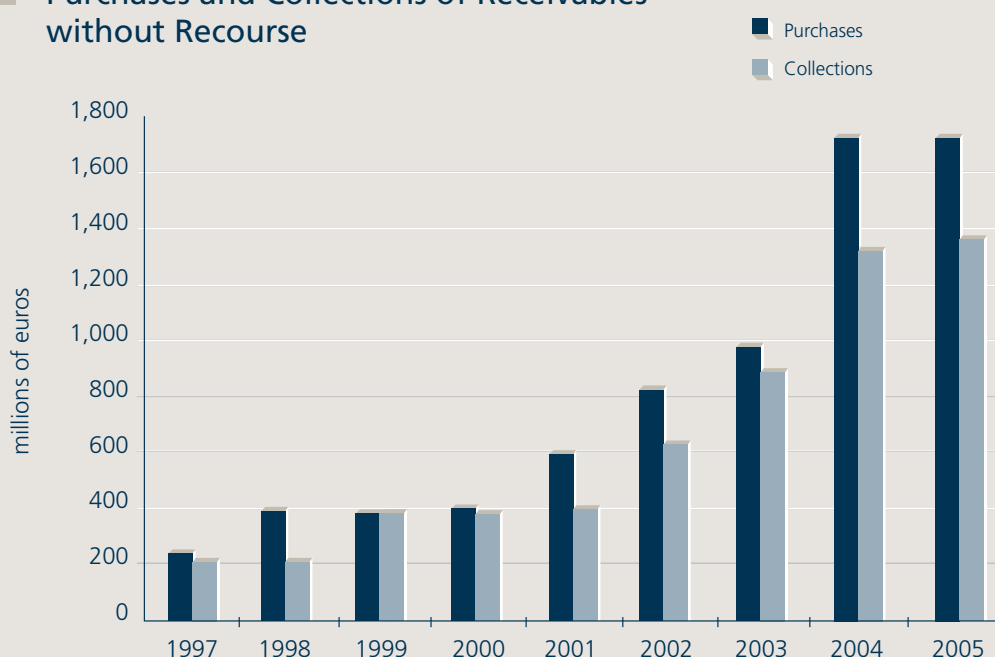
c) Comments on factoring transactions

During the year 2005, the company was entrusted with the management of the collection of receivables for Euros 3,705 million and purchased receivables without recourse for Euros 1,752 million.

At December 31, 2005, outstanding receivables under collection management totaled Euros 1,990 million.



Purchases and Collections of Receivables without Recourse



Off-balance sheet financial instruments

Financial hedging instruments outstanding at December 31, 2005 show a notional contractual amount of Euros 150 million which equals the same amount of the underlying exposure of receivables purchased without recourse.

The contracts refers to IRSs and Collars, all for hedging purposes.

Derivative transactions are correlated to the collection forecast of receivables purchased without recourse.

The derivatives hedge the fluctuation in market rates compared to the fixed rate implicit in the commission on the receivables without recourse.

The amount of the hedge was valued on the basis of the flows resulting from the collection forecast of the underlying investment of resources.

The fair value of hedging instruments at December 31, 2005 is a negative amount of Euros 359,981 compared to market value, given the curve of the interest rates.

It should be noted that after the increase in the ECB rates in the first quarter of 2006, the fair value, compared to the market rates, again became positive for an amount of Euros 61,950.

Type of transaction	Underlying Interest rates and debt instruments	
	Notional amount	Fair value at 12,31,2005
		Positivo Negativo
Interest rate swaps	90,000,000	245,871
Collars	60,000,000	114,110
Total	150,000,000	359,981

d) Notes to the income statement

Costs

10. Interest expenses and similar charges

Euros 51,150,183

These primarily refer to interest on loans received from banking institutions and financial institutions, with an increase of Euros 8,730,886 compared to the previous year.

The sale of receivables to Deutsche Bank Luxembourg S.A. which took place after having concluded regional agreements with Lazio and Calabria led to the recognition of expenses equal to a total of Euros 26,265,103.

(in euros)

Description	Banking institutions	Financial institutions	Customers	Total
Bank accounts and short money	15,013,796	0	0	15,013,796
Other loans	0	0	427,809	427,809
Financial expenses on the sale of receivables	0	26,265,103	0	26,265,103
Commercial paper	898,795	0	0	898,795
Medium-term loan	6,819,287	0	0	6,819,287
Similar charges	1,725,393	0	0	1,725,393
Total	24,457,271	26,265,103	427,809	51,150,183

Interest expenses relating to customers include the amounts 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 266,238 and interest on the loan from the parent company Confarma S.p.A. for Euros 161,571. Similar charges include the costs of hedging interest rate risks for Euros 618,506.

20. Commission expenses

Euros 276,210

These include banking charges and commissions.

40. Administrative expenses

Euros 16,089,851

These refer to the following:

	(in euros)
Payroll expenses	4,026,787
Other administrative expenses	
Legal expenses	2,400,026
EDP services	499,045
Outside credit management services	760,281
Directors' and statutory auditors' compensation	410,099
Rent, services and office operating costs	381,095
Consulting	1,622,992
Legal expenses for credit management	1,273,948
Notary public expenses	460,884
Advertising and entertainment expenses	795,207
Maintenance expenses	1,244,340
Other staff costs	255,590
Non-deductible VAT	1,062,096
Other taxes	64,372
Other expenses	833,089
Total other administrative expenses	12,063,064
Total	16,089,851

This item includes legal and notary fees (Euros 1,398,397) incurred on behalf of the assignor companies which were entirely recovered and included in other operating income. The increase in administrative expenses over 2004 is Euros 901,676.

110. Extraordinary expenses

Euros 1,729,066

The increase in extraordinary expenses mainly refers to the donation of artistic patrimony made by Farmafactoring S.p.A. to the "Farmafactoring Foundation" on December 12, 2005 for a total amount of Euros 1,351,285.

130. Income taxes

Euros 14,416,100

	(in euros)
A Current income taxes	12,657,312
B Deferred income taxes:	
- deferred tax expense arising during the year	0
- deferred tax benefit arising during the year	(109,405)
- adjustments to deferred tax balances:	
reversal of deferred taxes during the year	1,868,193
Total	14,416,100

Revenues

10. Interest income and similar revenues

Euros 36,126,156

These include the following:

	(in euros)
For factoring transactions	
- Interest collected on late payments of receivables (below)	12,548,146
- Interest on receivables from customers	1,024,195
- Compensation from the Lazio and Calabria Regions	22,013,545
	35,585,886
Interest from banking institutions	501,400
Other interest	38,870
Total	36,126,156

Interest on late payments of receivables consists of the following:

	(in euros)
- Interest collected on late payments of receivables	12,548,146
- Net increase of interest on late payments	50,639,670
- Accrual to the provision for interest on late payments	(50,639,670)
Total	12,548,146

The amount of interest income increased by Euros 5,149,768 principally due to higher interest collected on late payments during the year and the payment of compensation as a result of the regional agreements.

In fact, compared to 2004, higher interest on late payments of Euros 3,602,129 was collected whereas the settlement agreements with the Lazio and Calabria Regions made it possible to record compensation for a total of Euros 22,013,545.

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.

30. Commission income

Euros 69,567,973

This refers to:

	(in euros)
Commissions on receivables purchased without recourse	59,441,834
Commissions on receivables under management	10,126,139
Total	69,567,973

The item increased by Euros 11,297,058 over the previous year, primarily due to the increase in ordinary receivables purchased without recourse.

70. Sundry operating income

Euros 5,279,594

The item includes:

	(in euros)
Recovery of legal fees on receivables purchased without recourse	1,383,866
Recovery of legal fees on receivables under management	1,273,947
Realized value of receivables at amounts other than nominal value	2,204,797
Other recovered expenses	416,984
Total	5,279,594

80. Extraordinary income

Euros 61,886

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 306,887.

The compensation to which the board of statutory auditors is entitled totals Euros 103,212.

Disclosure on the receivables securitization transaction with FL Finance S.r.l.

With regard to the receivables securitization transaction put into place in 2004 regarding receivables purchased by Farmafactoring, the principal features of the transaction and the results at December 31, 2005 are as follows:

- sale without recourse of a pre-established portfolio pursuant to ex Article 1 of Law 130/99 to an ad hoc specially-established company denominated FL Finance S.r.l. for the amount of Euros 214,172,848;
- issue of Asset Backed Floating-Rate Notes for a nominal amount of Euros 193,259,000 on October 29, 2004;

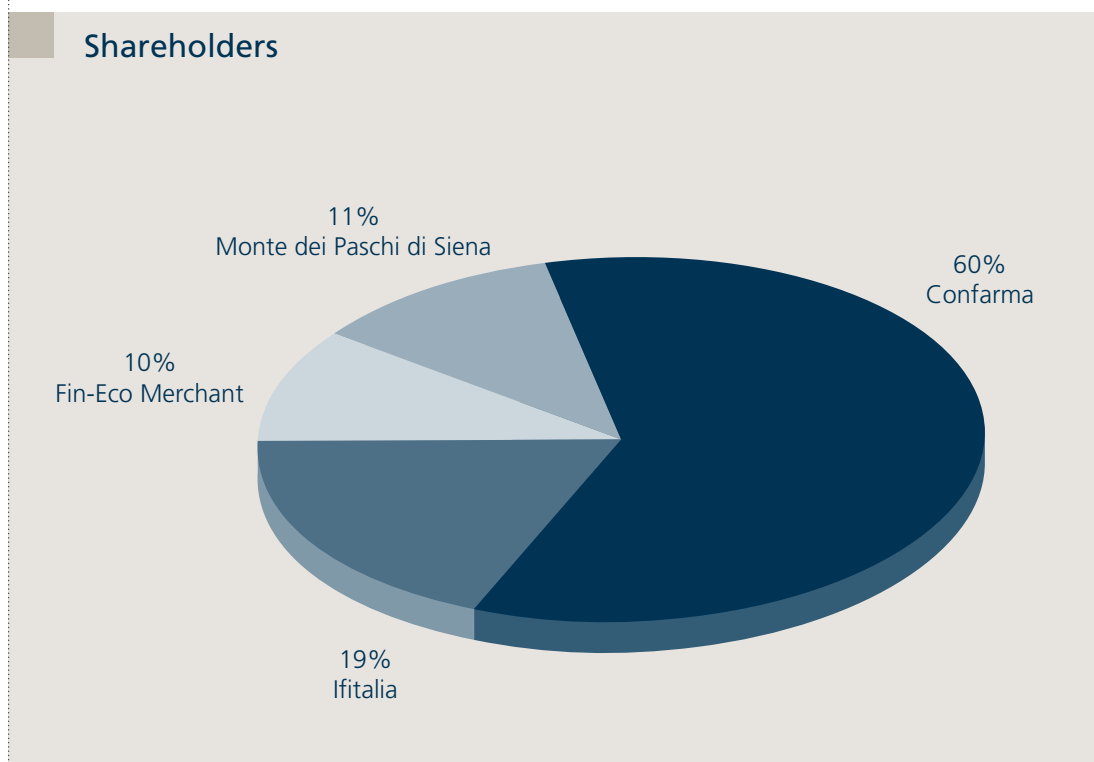
- Farmafactoring as the servicer took charge of the collection of the semiannual installments starting from December 15, 2004 for a total amount of Euros 64,251,855. The remaining amount of the receivables at December 31, 2005 is therefore equal to Euros 149,920,993 and the installments collected in 2005 alone total Euros 42,834,570;
- With the sale of the receivables to the vehicle company FL Finance S.r.l., the transaction should be considered as definitively closed, since there is no credit enhancement mechanism.
- The company provides Banca d'Italia with a report written semiannually by Internal Auditing on the progress of the transaction.

Composition of shareholders

The share capital of the company is held by:

Confarma S.p.A.	60%
Ifitalia S.p.A.	19%
Monte dei Paschi di Siena	11%
Fin-Eco Merchant	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.



Statutory Auditors' Report on the financial statements at December 31, 2005

Dear Shareholders,

Our work, during the course of the year ended December 31, 2005, 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, with regard to the observance of the law and proper administration:

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 and the board of directors' meetings, conducted in accordance with statutory provisions, laws and regulations which govern their functioning and for which we can reasonably ensure 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, in this regard there are no significant matters to report that require mention.

During the year, no opinions required by law have been issued by the board of statutory auditors.

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 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.

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. To this end we have carried out an audit of the financial statements at December 31, 2005 of Farmafactoring S.p.A., which present total assets of Euros 1,414,870,990, a net profit of Euros 19,735,745 and shareholders' equity of Euros 99,452,011, 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, 2005, 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.

* * *

On the basis of the work carried out, we propose that the shareholders' meeting approve the financial statements for the year ended December 31, 2005, as prepared by the directors.

Milan, April 5, 2006

The Board of Statutory Auditors

Franco Caramanti

Fabrizio Bellini

Francesco Logaldo

Statement of Cash flows

(in thousands of euros)

	2005	2004
Sources		
Items not affecting working capital:		
- Net profit	19,736	15,610
- Depreciation	2,151	1,229
- Amortization	270	683
- Accrual to general financial risk provision	-	-
- Accrual to employees' severance indemnity	188	167
	22,345	17,689
Uses		
- Dividends to shareholders	3,025	2,610
- Investments	-	-
- Net fixed assets	1,679	3,287
- Deferred charges	303	1,216
- Severance indemnity paid	77	163
	5,084	7,276
Increase (decrease) in net working capital	17,261	10,413
provided by:		
Current assets		
- Change in cash	(4)	(199)
- Due from banking and financial institutions	137,941	34,349
- Due from customers	(59,615)	409,051
- Other assets	7,420	10,148
	85,743	453,349
Current liabilities		
- Due to banking institutions	201,194	217,022
- Due to financial institutions	-	-
- Due to customers	(141,095)	213,915
- Liabilities represented by securities	4,283	(11,923)
- Other liabilities	4,100	23,923
	68,482	442,936
Increase (decrease) in net working capital	17,261	10,413

Statement 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, 2002	30,000	2,466	88	148	17,618	5,387	55,709
Accrual 2003						2,000	2,000
Appropriation of net profit 2002:							0
- to legal reserve		881			(881)		0
- to other reserves			6,000		(6,000)		0
- to retained earnings				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:							0
- to legal reserve		680			(680)		0
- to other reserves							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
Appropriation of net profit 2004:		780			(780)		0
- to legal reserve							0
- to other reserves							0
- to retained earnings				11,805	(11,805)		0
- to shareholders					(3,025)		(3,025)
Share capital increase	10,000			(10,000)			0
Net profit 2005					19,736		19,736
Balance at December 31, 2005	65,000	4,807	88	2,433	19,736	7,387	99,452



Farmafactoring, sede di Roma
Sala riunioni

AUDITORS' REPORT

To the Shareholders of
Farmafactoring SpA

- 1 We have audited the financial statements of Farmafactoring SpA as of 31 December 2005. These financial statements are the responsibility of Farmafactoring 's directors. Our responsibility is to express an opinion on these financial statements based on our audit. The local statutory audit carried out in accordance with articles 2409-bis of the Civil Code and subsequent articles is performed by other auditors, therefore this audit report must not be considered for local statutory purposes.
- 2 We conducted our audit in accordance with Italian standards on auditing. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to the report issued by other auditors dated 1st June 2005.
- 3 In our opinion, the financial statements of Farmafactoring SpA as of 31 December 2005 comply with the laws governing the criteria for their preparation; accordingly, they give a true and fair view of the financial position and of the results of operations of the company.

- 4 The interest on late payment of receivables purchased without recourse, as 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.

Milan, 7 April 2006

PricewaterhouseCoopers SpA

Signed by

Marco Palumbo
(Partner)

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

Resolutions passed by the ordinary and extraordinary Shareholders' meetings

The ordinary shareholders' meeting, which met in second call on April 28, 2006, approved the financial statements for the year ended December 31, 2005 consisting of the balance sheet, the income statement and the 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 19,735,745 as follows:

- to the legal reserve, Euros 986,787;
- to dividends, Euros 2.33 for each of the 1,300,000 shares outstanding for a total of Euros 3,029,000;
- to retained earnings, the remaining amount of Euros 15,719,958.

The shareholders' meeting also:

appointed the board of directors for the three years 2006, 2007 and 2008. The board's term of office will expire upon the approval of the financial statements for the year ended December 31, 2008. The appointment refers to the following persons:

Marco Rabuffi, Chairman - Giovanni Martino Dettori, Vice Chairman - Fabio Fasoli, Simonetta Girotti, Enrico Pian, Gilberto Sardelli, Giovanni Scacchi, Luciano Bocci, Aldo Maccaferri, Marcello Messina, Directors.

appointed the board of statutory auditors for the three years 2006, 2007 and 2008. The board's term of office will expire upon the approval of the financial statements for the year ended December 31, 2008. The appointment refers to the following persons:

Franco Caramanti, Chairman - Fabrizio Bellini, Giancarlo Rizzani, Acting Auditors - Mario Massari, Fabrizio Neri, Alternate Auditors.

to confer the appointment for accounting control under article 2409 of the Italian Civil Code to PricewaterhouseCoopers for the three years 2006, 2007 and 2008.

Lastly, the extraordinary session of the shareholders' meeting, held on the same date, approved a bonus share capital increase from Euros 65,000,000 to Euros 80,000,000, with the consequent amendment to art. 5 of the bylaws.

FARMAFACTORING S.P.A.

20149 Milano
Via Domenichino, 5
Tel. +39 02 49905.1
Fax +39 02 4818157

00197 Roma
Via Bertoloni, 1/E int. F
Tel. +39 06 8091391
Fax +39 06 80913941

info@farmafactoring.it
www.farmafactoring.it