FARMAFACTORING SPA

Bilancio 2006 | Annual Report

Annual Report 2006

22nd year

Call to the general annual Shareholders' meeting

The shareholders are hereby called to the ordinary and special general annual shareholders' meeting to be held at the registered office of the company, in the city of Milan, Via Domenichino 5, in first call, on April 23, 2007 at 3:00 P.M., and, should it prove necessary, in second call, on April 23, 2007, at 4:00 P.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, 2006, the Board of Directors' Report on Operations and the Board of Statutory Auditors' Report; respective and pertinent resolutions;

2. Assessment of the remuneration of the Chairman, the Vice Chairman and the Directors;

3. Any other resolutions, pursuant to Art. 2364 of the Italian Civil Code.

Special business

1. Increase in Corporate Capital from Euros 80.000.000 to Euros 85.000.000 in a gratuitous form, through the reserve "Surplus brought forward"; consequent resolutions;

2. Consequent modification of the art. 5 of the Articles of Association;

3. Modification of the art. 10 of the Articles of Association

The shareholders who registered their share certificates at least 5 days before the day of the assembly at the registered office or at MCC S.p.A are entitled to take part in the assembly.

Milan, March 23, 2007

For the Board of Directors
The Chairman
Marco Rabuffi

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FARMAFACTORING SPA

Board of Directors

Chairman and CEO	Marco Rabuffi*
Vice Chairman	Giancarlo Aliberti
CEO and General Manager	Antonio Iantosca
Directors	Massimiliano Belingheri Emanuele Bona Gabriele Cipparrone Giovanni Scacchi

Board of Statutory Auditors

Chairman	Francesco Tabone
Acting auditors	Luca Fontanesi Giancarlo Rizzani
Alternate auditors	Eliano Tommasina Patrizia Paleologo Oriundi

Independent Auditors

PricewaterhouseCoopers S.p.A.

Report on operations

Dalla collezione Farmafactoring

Lucio Del Pezzo
SENZA TITOLO, 1978
Pennarello e china su carta, 56x42 cm

Dear Shareholders,
In this introduction, we would like to report that, in December 2006, the private equity fund Apax Europe VI, through the company FF Holding S.p.A., purchased an 81% stake in the company Confarma S.p.A. and 40% of the shares of Farmafactoring S.p.A. held by the banking institutions.
Consequently, at December 31, 2006, FF Holding S.p.A. holds, directly and indirectly, 89% of the capital of Farmafactoring S.p.A.
On January 25, 2007, FF Holding S.p.A. purchased another 140 shares of Confarma S.p.A. raising its investment in that company to 86% and bringing the controlling interest in Farmafactoring S.p.A. to 92%.
As a result of the change in the shareholder base, on December 19, 2006, the ordinary shareholders' meeting elected the new board of directors and the new board of statutory auditors for the three years 2006, 2007 and 2008. Their terms of office will expire upon approval of the financial statements for the year ended December 31, 2008.

General economic overview

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

The international economic scenario

After four years of expansion, which, in 2006, led to growth of more than 5%, estimates for 2007 suggest that GDP will settle at around +4%.
Despite a slight slowdown, global growth will continue to be well supported and the probability of a sudden contraction is fairly slim.
In fact, if we examine the trend of the leading economic areas, it is immediately obvious that the area of the U.S. dollar remains steady and that economic expansion in China and India continues apace.
The economic trend in the United States reported a slowdown of the real estate market, whereas household consumption remained fairly stable in view of the rather moderate level of unemployment.
In the latter part of 2006, the U.S. economy reported a contraction in productivity which is likely to continue in the first half of 2007.
In this context, the former head of the Federal Reserve, Alan Greenspan, interprets the contraction as the beginning of a probable phase of recession, judging the present trend of the U.S. economy as being less solid than in the recent past.
In Asia, it should be pointed out that China continues to report double-digit growth.
Compared to GDP growth in 2006 of 10.5%, in 2007, expansion is expected to be +9%, with a strong driving force from both internal and foreign components.
With regard to other economies in Asia, India continues to report positive expansion, with GDP at approximately +5%.
The scenario of the eurozone is gradually improving. The results of the industrial sector lie behind the economic recovery, followed by the buoyant trend in the services sector.
In the second and third quarters of 2006, industrial production in the eurozone increased steadily, thanks partly to the positive trend of industrial activities in Germany.

After a year in 2006 when the eurozone exceeded all forecasts, with a 2.7% gain in GDP, in 2007, growth is expected to settle at +2%. The ECB predicts that inflation will fall to about 2%.
According to the OECD, the economic recovery of the eurozone will also boost household consumption, which is expected to expand at rates of 1.8%, 1.7% and 2.3% between 2006 and 2008.
In December, the European Central Bank raised interest rates to 3.50%, with the aim of compensating some of the variables associated with inflation, such as the trend in the price of oil. The ECB is expected to continue its policy of increasing interest rates in 2007.

The Italian economy in 2006 and forecasts for 2007

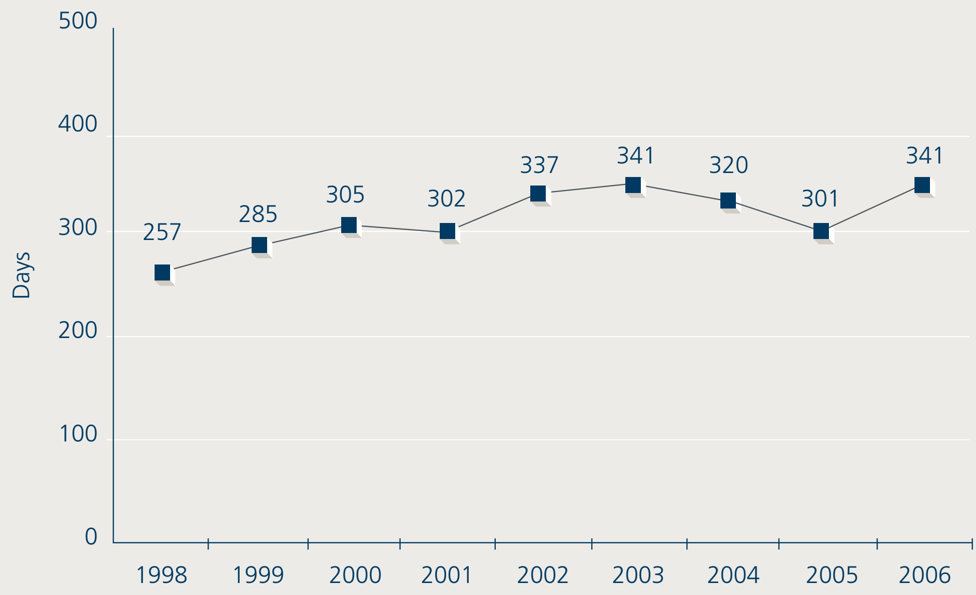
The recent economic cycle has highlighted the fact that a good recovery is taking place after the stagnation of recent years. However, the growth of the Italian economy continues to remain lower than the average of other countries in the eurozone.
Much of the growth in the Italian economy is linked to the performance of the German economy and of the eurozone in general, in other words, markets which are important from the point of view of Italian exports.
Italy closed 2006 with a strong thrust with results the like of which had not been seen since the start of this decade. After five years, industrial production began to increase once more (+2%) and there was an increase of 1.7% in GDP.
The positive results of the Italian economy are also having favorable repercussions on public finance, with a deficit equal to 2.4% of GDP in 2006, down from 4.2% in 2005.
The year just ended benefited from inflows of tax revenues which were higher than anticipated. The aim for the current year might be to keep the public deficit below 3% of GDP.
In this context, the OECD affirms that, in Italy, the deficit should remain at about 3% of GDP in 2007 and 2008.
According to a survey published by ISTAT (the national statistics bureau), in Italy, the level of unemployment settled at 6.1%, one point less than in the third quarter of 2005, and improvements in the labor market may lead to a stable level of consumption in the medium term.
In the Italian economic scenario, according to provisional figures published by Istat with regard to inflation, it seems likely that, in the immediate future, the consumer price index will gradually settle at about 2% on an annual basis. The average annual increase in prices calculated for 2006 was 2.1%, a slight increase compared to 1.9% in 2005.

The National Health System in Italy in 2006 and forecasts for 2007

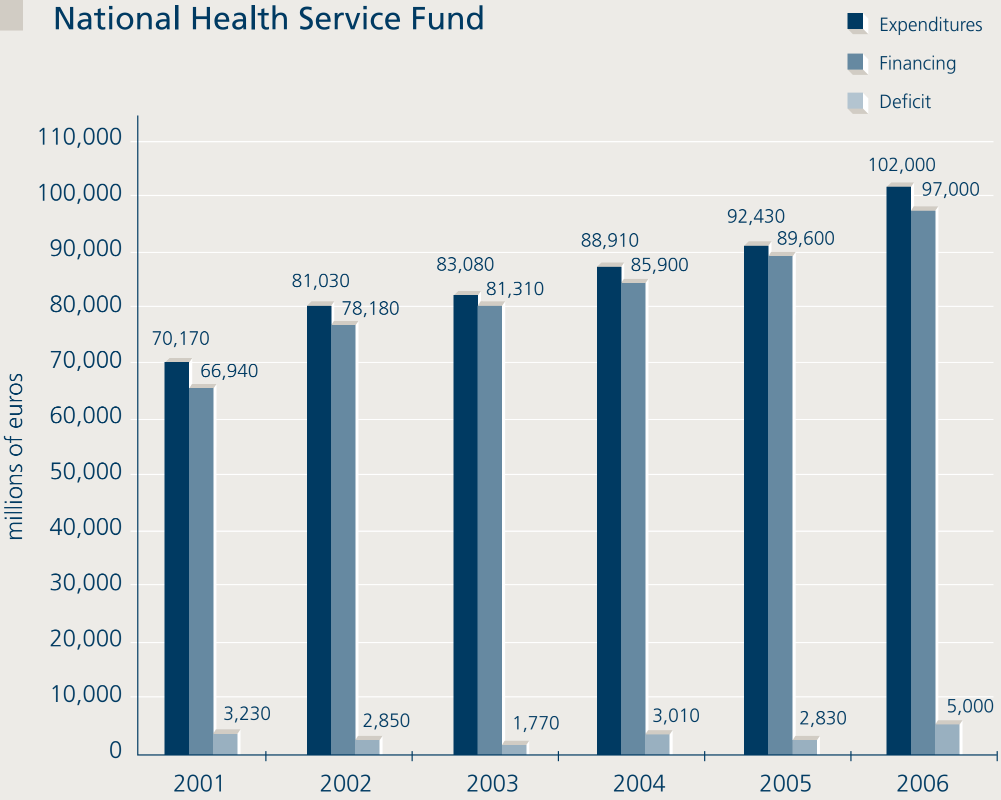
In 2006, total expenditures for the public health-care sector grew by 8%, reaching Euros 102 billion, and exceeding the initial budget of Euros 91 billion allocated to the National Health Service Fund by Euros 11 billion. However, through supplementary funds allocated in the 2007 Finance Bill and local revenues, the actual deficit with regard to health-care expenditures in 2006 will be approximately Euros 4 to 5 billion.
The 2007 Finance Bill, in terms of health care, has fixed Euros 97 billion (+6%) as the amount of funds to be allocated to the National Health Service Fund, with an additional Euros 3 billion for investments and Euros 349.5 million for research. In addition, it has allocated the first Euros 50 million to the areas most in need.
According to an estimate calculated by the State Accounting Department, the additional deficit to be covered for health expenditures amounts to Euros 5 billion and health care expenditures in 2006 represents about 6.9% of GDP, an increase of 0.2% compared to 2005.
With regard to the breakdown of the Euros 97 billion allocated to the National Health Service Fund in 2007, agreement has been reached with the Regions, and Euros 94 billion has been allocated to them.
Out of this Euros 94 billion, Euros 1 billion was shared between those regions with the most serious deficits, which will only actually receive the funds if they can demonstrate that their parameters are in order, and that they have reliable, secure finance management policies.

In 2006, the debt to GDP ratio is 108%, also considering the reclassification of all health debt securitizations accompanied by the authorizations for payment by the Regions.
With the securitization measure passed after September 4, 2006, securitizations will be considered "debt", except for those anticipated for the Campania, Sicily, Abruzzi and Piedmont Regions, provided they are concluded by March 31, 2007.
The 2006 Finance Bill created the SiVeAS, a national system for verifying that funds to the health-care service are appropriately allocated, the financing of which, from 2007, is fixed at Euros 8 million.
For the three-year period 2007-2009, a temporary fund has also been created for Regions in financial difficulty amounting to Euros 1 billion for the year 2007, Euros 850 million for the year 2008 and 700 Euros million for the year 2009. Access to the fund is reserved to those Regions which have reported a deficit equal to or higher than 7% and which have signed a specific agreement with the Ministry of Health and the Ministry of Economy and Finance.
A final note concerns the average payment times which, in 2006 were approximately 341 days.

Average Number of Days to Payment



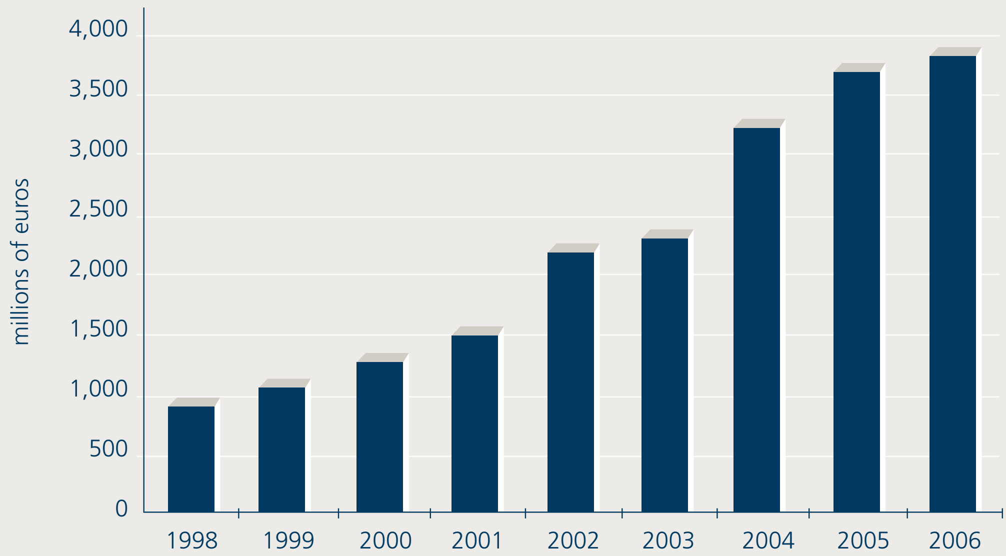
National Health Service Fund



Main indicators of business in 2006 compared to 2005

Receivables assigned for the collection management in 2006 amount to Euros 3,863 million compared to Euros 3,705 million in 2005, with an increase of 4.3%.

Receivables received for management

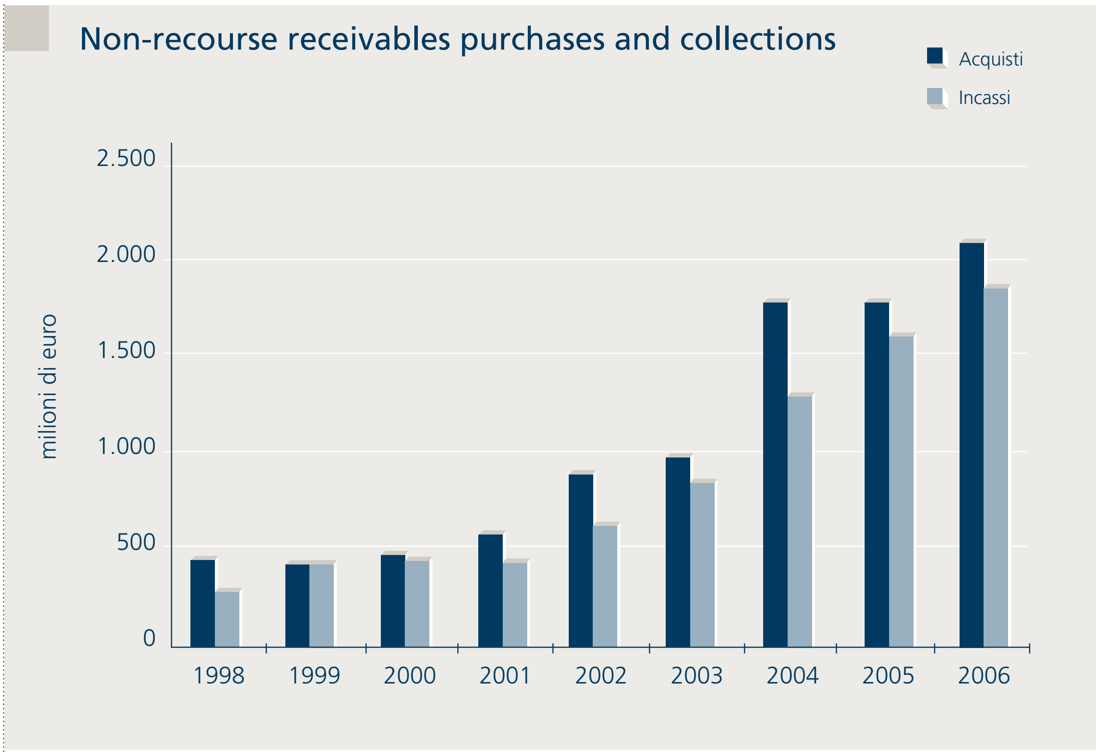


Purchases of non-recourse receivables total Euros 2,159 million compared to Euros 1,752 million in 2005.
For a better understanding of the purchases of non-recourse receivables a comparison of volumes in 2005 and 2006 in terms of regional settlement agreements and ordinary purchases would also be useful and is presented below.
A comparative breakdown of non-recourse purchases is as follows:

(in millions of euros)

	12.31.2005	12.31.2006
Non-recourse purchases, ordinary	1,679	1,943
Non-recourse purchases, by regional agreement	73	216
Total non-recourse purchases	**1,752**	**2,159**

In 2006, as part of its commercial policy, the company undertook activities to sell the receivables from debtors previously defined as "blocked" in that the collection times were particularly lengthy. The activities called for the purchase of these credits and the subsequent sale to a vehicle company formed under Law 130/99, Justine Capital S.r.l. The vehicle company, after the sale, issued notes which were placed mainly with the Dresdner Bank, London Branch. In 2006, the receivables sold with this transaction totaled Euros 156 million.

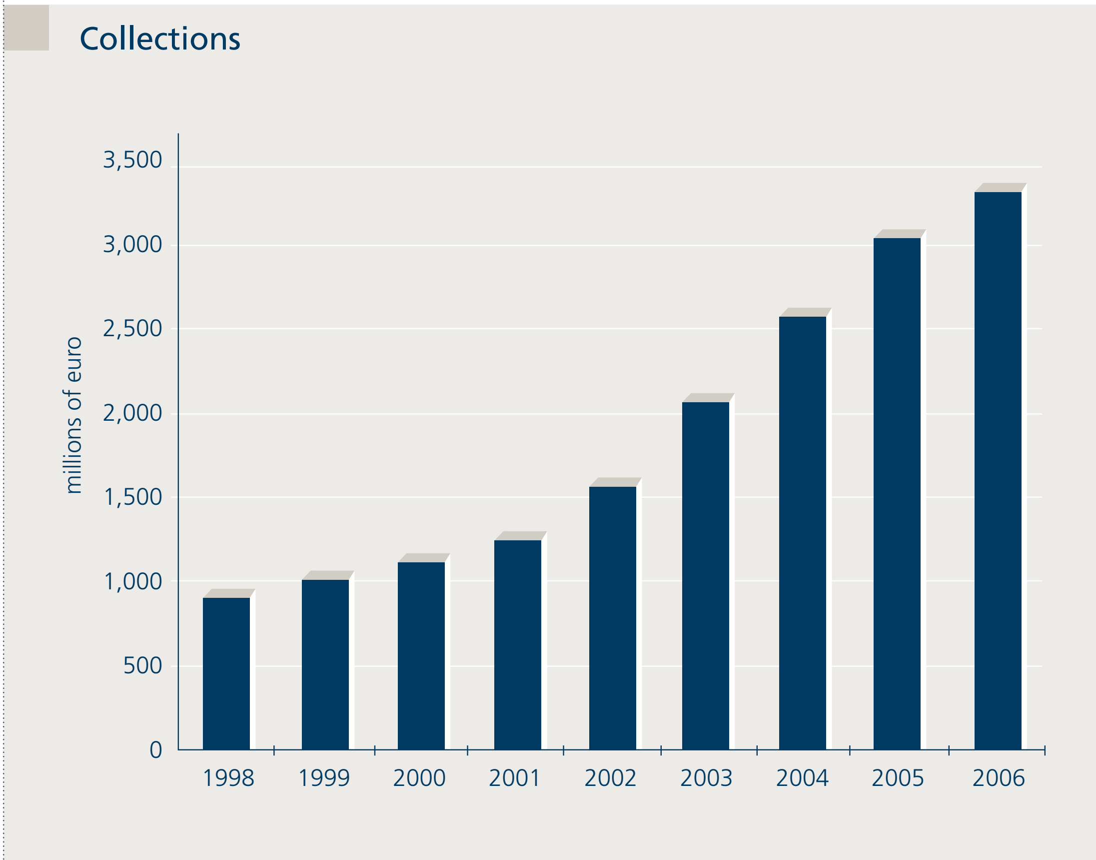


Collections rose from Euros 3,093 million in 2005 to Euros 3,427 million in 2006, increasing 11% over the prior year. Collections of non-recourse receivables purchased went from Euros 1,649 million in 2005 to Euros 1,906 million in 2006. The 16% increase is due to higher volumes of receivables purchased and collections on regional settlement agreements of about Euros 548 million, of which Euros 422 million refers to transactions concluded in 2006 and Euros 126 million to assignments made in 2005.
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 2006, three agreements were reached at a regional level with Lazio, Calabria and Abruzzi.
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.
Your company later sold the portfolios from these transactions to Deutsche Bank Luxembourg S.A.
The receivables of your company sold in this manner are as follows:

(in millions of euros)

Regional Agreement	Amounts sold
Campania	23
Lazio 3	358
Abruzzo	41
Total sales of receivables	**422**

The bar chart below shows the trend in collections from 1998 to 2006:



Credit lines to finance accounts receivable purchases increased by 7.5% over the previous year and total Euros 1,571 million.
During 2006, the company balanced its medium-term financing and short-term financing as compared to the prior year in anticipation of the MCC syndicated loan concluded during the first quarter of 2007 for a total of Euros 195 million.

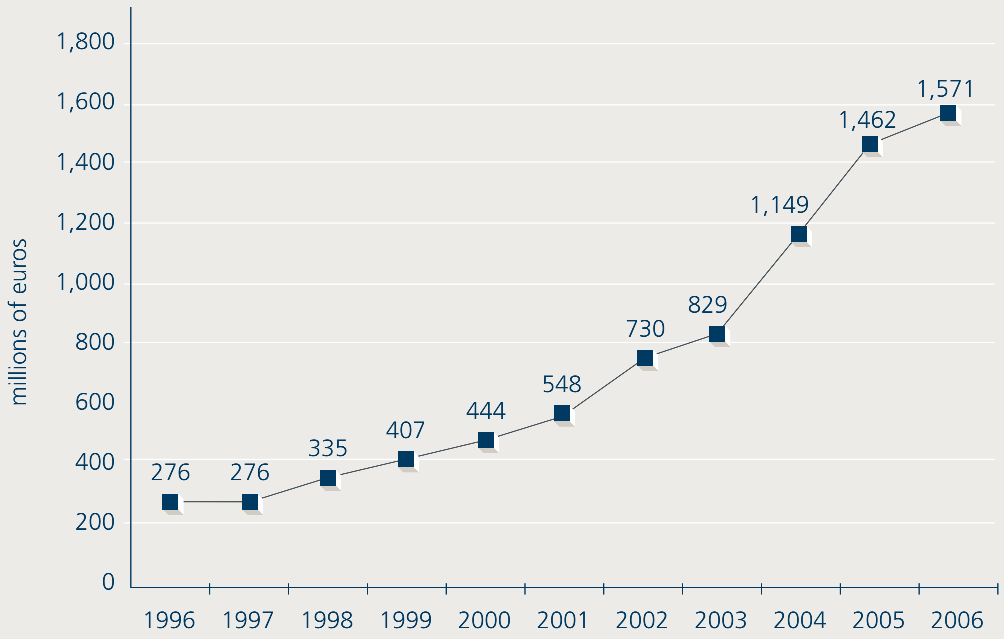
Some of the transactions concluded during 2006 include the following:

• a loan granted by Efibanca as the Arranger and Agent for a total amount of Euros 50 million divided into two 36-month tranches. The first tranch for Euros 35 million is a revolving credit line used starting from 2007 and the second is a term loan for Euros 15 million;

• a loan granted by MCC-Capitalia as the Arranger and Agent for a total amount of Euros 100 million for a period of 12 months. The financing structure is a term loan.

Other direct loans were secured for an 18-month period with ordinary banking institutions, for a total of Euros 45 million.

Credit lines from 1996 to 2006



Internal controls

In conformity with the rulings of the Bank of Italy regarding Internal Controls, the company has an internal auditing function for the purpose of checking and monitoring the corporate risks associated strictly with the disbursement of credit.
The internal control system approved 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.

In 2006, tests were conducted on the core processes in the IT area on compliance with the law on privacy, safety in the workplace, transparency, anti-money laundering, usury and securitization 2004 in the Lazio Region. At the end of these tests, carried out operationally with the support of specialized outsourcers, the internal auditing department wrote six-monthly reports to the board of directors and board of statutory auditors with the conclusions of the work carried out and indications as to improvements in the organization, processes and systems and disclosure was also provided on the compliance activities performed.

In 2006, the company has continued to assess and revise its organizational, management and control tools to meet the requirements of Legislative Decree No. 231/01, as amended.

The Supervisory Board has reported to the board of directors and the board of statutory auditors on a six-monthly basis with respect to monitoring and updating activities of the 231 compliance program adopted by the board of directors.

The company is updating the report on the organizational structure pursuant to the Bank of Italy Circular No. 216/96 "Instructions for the Supervision of Financial Intermediaries registered in the Special List", 6th update 2002 which will be approved by the board of directors and sent to the Bank of Italy by April 30, 2007.

Business developments

In 2006, investments were made in the Information Technology sector, involving the development of new projects and hardware to ensure the continuity of performance and the security of corporate systems.

The latter must be able to cope with ever-greater volumes of data and increasing demands in terms of security (see Legislative Decree 196 of June 30, 2003 and the international standards ISO/IEC 17799:2000 and ISO/IEC 27001:2005).

In particular, the following main projects were executed:

• creation of software to increase the level of automation regarding various operational activities conducted with assignors;
• start-up of a new software system to manage the budget and reporting;
• start-up of a new software system to manage requests from the Tax Revenue Office (PEC);
• creation of software to measure the non-recourse receivables purchased by us, in accordance with the IAS 39 principles;
• creation of software to evaluate the actual results of the correspondence between the theoretical curves underlying our non-recourse quotations and the effective collection curves by region;
• creation of software to automatically extract data from the factoring system to be used for the internal rating model with regard to debtors;
• review of software used for managing regional settlement transactions to adapt it to the requirements deriving from the new settlement transactions put into place by Farmafactoring with other Italian regions.

The company has continued to update the corporate information systems so that they comply with international standards ISO/IEC 17799:2000 and ISO/IEC 27001:2005 on the security of information and has updated its procedures with regard to Legislative Decree 196 of June 30, 2003 (concerning the Code with regard to the protection of personal data) and its Appendix B (Technical Regulations with regard to minimum security measures). The programming document on security will be updated by March 31, 2007.

Transactions with the parent and other related parties

The company currently has a loan contract with the company Confarma S.p.A. for an amount of Euros 10,000 thousand at normal market conditions. The company also has factoring arrangements and the mandate for the management and collection of receivables with shareholder companies at normal market conditions.

Future outlook

According to the guidelines approved by the board of directors, Farmafactoring will continue the policy commenced in past years, so that 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.
It is expected that the company can step up its policy to further increase and develop its business operations, also on account of its new shareholder base.

The transition to IAS/IFRS

General principles
Legislative Decree 38/2005 introduced international accounting standards into the Italian legal framework and 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 the separate financial statements, mandatory application was deferred until 2006, however, companies could have brought 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 and consequently the first financial statements prepared in accordance with IFRS (first-time adoption) are the financial statements for the year ended December 31, 2006.
As a result of the above, the IAS/IFRS equity of Farmafactoring was restated at the date of transition in accordance with the above IFRS (First-time Adoption or FTA) and the balance sheet, income statement and statement of cash flows was restated for the year ending December 31, 2005 for purposes of comparison with those of the year ending December 31, 2006.
In particular, at the date of transition to IFRS (January 1, 2005), the opening balance sheet was prepared on the basis of IFRS 1 "First-time Adoption of International Financial Reporting Standards".

Structure of the IAS/IFRS financial statements

The structure of the IAS/IFRS financial statements follows the instructions for the preparation of the financial statements of financial intermediaries registered in the "Special List" drawn up by the Bank of Italy on February 14, 2006. The financial statements consist of the following:

• report on operations
• balance sheet
• income statement
• statement of cash flows
• statement of changes in equity
• notes to the financial statements.

The main new concepts introduced by the international financial accounting standards refer to the following:

• the structure of the balance sheet and income statement
• the preparation of the statement of cash flows and statement of changes in equity;
• the structure of the report on operations and the notes to the financial statements;
• the accounting treatment (especially with regard to the recognition of assets and liabilities)
• rules for measurement.

In reference to accounting treatment, the main changes refer to:

• the rules for the derecognition of financial assets which required changes to be made to the contracts for the purchase of non-recourse receivables in order to place greater emphasis on the transfer of risks and rewards;
• reclassification of the credit risk provision and the general financial risk provision to reserves in equity.

Effect of the transition to IAS on Regulatory Capital

The transition to IAS, with regard to measurement and classification, had an effect on the determination of the Regulatory Capital.
In particular, the above reclassification of the general financial risk provision and the credit risk provision had a negative effect on the Regulatory Capital.
In fact, under previous accounting principles, the entire credit risk provision formed part of the Regulatory Capital; as a result of the transition to IAS, this provision forms part of the Regulatory Capital only after recognition of the relative deferred income taxes.
However, when applying the accounting standards on a comparable basis, the Regulatory Capital increased.
The following table presents the change in Regulatory Capital at the date of First-time Adoption of IFRS (January 1, 2005) compared to previous accounting principles and IAS/IFRS adoption.

(in thousands of euros)

Components of Regulatory Capital	12.31.2004 previous accounting principles	12.31.2004 IAS	12.31.2005 previous accounting principles	12.31.2005 IAS
Share capital	55,000	55,000	65,000	65,000
Legal reserve	4,027	4,027	4,807	4,807
Extraordinary reserve	88	88	88	88
Retained earnings	628	628	2,433	2,433
Profit for the year	15,610	15,610	19,736	19,736
Dividends	(3,025)	(3,025)	(3,029)	(3,029)
Credit risk provision	21,513	0	26,513	0
General financial risk provision	7,387	0	7,387	0
Other intangible assets	(418)	(418)	(403)	(403)
Revaluation reserve	0	18,218	0	22,828
Regulatory capital	**100,811**	**90,128**	**122,533**	**111,460**

The most important new concepts, however, regard the application of the measurement at fair value, the measurement of non-recourse receivables purchased at amortized cost and the general rationale of the predominance of substance over form.

With regard to assets and liabilities other than financial instruments, the main new concepts refer to:

• the measurement of owned buildings used in the business (Milan and Rome) at fair value which, starting from the date of IFRS First-time Adoption, becomes the new cost;
• the separation of land from buildings and the derecognition of accumulated depreciation on land;
• the actuarial calculation of employee severance indemnities and employee benefits in accordance with IAS 19.

In accordance with IFRS 1 - paragraphs 39 and 40, the reconciliations of equity at the date of transition to IFRS (January 1, 2005) and under previous accounting principles are presented in the Appendix to Part D) "Other information" of the Notes to the financial statements.

FARMAFACTORING SPA

Dalla collezione Farmafactoring

Joe Tilson
DIONYSOS KARPIOS, 1990
Tecnica mista su cartone intelato, 121x114 cm

Reclassified Balance Sheet

(in thousands of euros)

	12.31.2006	12.31.2005	Change
Assets			
Cash and cash equivalents	12	11	1
Financial assets held for trading and available-for-sale	1,085	52	1,033
Receivables	1,552,726	1,339,257	213,469
Property, plant and equipment	17,240	17,581	(341)
Intangible assets	415	403	12
Tax assets	20,407	26,263	(5,856)
Other assets	3,462	2,123	1,339
Total assets	**1,595,347**	**1,385,690**	**209,657**
Liabilities and equity			
Payables	1,405,492	1,1902,450	213,042
Securities in issue	16,700	37,800	(21,100)
Financial liabilities held for trading	-	413	(413)
Tax liabilities	24,788	24,223	565
Other liabilities	11,849	11,794	55
Employee severance indemnities	1,092	1,063	29
Provisions for risks and charges	2,233	1,659	574
Equity	113,259	91,877	21,382
Profit for the year	19,934	24,411	(4,477)
Total liabilities and equity	**1,595,347**	**1,385,690**	**209,657**

Reclassified Income Statement

(in thousands of euros)

	12.31.2006	12.31.2005	Change
Interest and similar income	85,330	75,414	9,916
Interest expenses and similar charges	(47,483)	(29,136)	(18,347)
Net interest income	**37,847**	**46,278**	**(8,431)**
Net fee and commission income	10,210	9,850	360
Profit on financial trading activities	1,446	93	1,353
Total operating income	**49,503**	**56,221**	**(6,718)**
Administrative expenses	(17,207)	(16,113)	(1,094)
Adjustments to property, plant and equipment and intangible assets	(2,454)	(2,286)	(168)
Net charges to provisions for risks and charges	(854)	(405)	(449)
Other operating income/expenses	4,418	3,613	805
Net operating income	**33,406**	**41,030**	**(7,624)**
Income taxes	(13,472)	(16,619)	3,147
Profit for the year	**19,934**	**24,411**	**(4,477)**

Comments on the reclassified balance sheet

Comments on the most important captions of balance sheet are reported below.

Financial assets held for trading

Financial assets held for trading include derivative financial instruments used to hedge fluctuations in market interest rates compared to the fixed rate implicit in the non-recourse fees and commissions.

Derivatives are recognized as assets/liabilities held for trading in accordance with IAS 39 although operationally they are considered as hedges of interest rate risk relating to non-recourse receivables purchased.

Derivatives are measured at fair value and amount to Euros 1,058 thousand at December 31, 2006.

Receivables

(in thousands of euros)

	12.31.2006	12.31.2005	% Change
Due from banks	82,843	187,512	-55.82%
Due from financial institutions	32,721	30,984	5.61%
Due from customers	1,437,162	1,120,761	28.23%
	1,552,726	**1,339,257**	**15.92%**

Due from banks refer to current bank account balances which the company has with banks at December 31, 2006. At December 31, 2005, this balance also included an amount due from Deutsche Bank for Euros 95 million collected in 2006 and referring to the sale of ASL and AO receivables of the Calabria Region.
Due from financial institutions at December 31, 2006 refers to receivables sold in December 2006 to the vehicle company Justine Capital S.r.l.
As a result of the sale, all of the risks and rewards relating to the assets sold were completely transferred to the assignee.

The detail of due from customers is the following:

(in thousands of euros)

	12.31.2006	12.31.2005	% Change
Loans account with assignors	4,820	1,675	187.76%
Fees and commissions due from assignors	1,289	1,677	-26.18%
Non-recourse receivables purchased	1,428,119	1,113,523	28.25%
Receivables acquired below nominal amount	908	1,622	-44.02%
Advances for legal fees	2,010	2,257	-10.94%
Debtors for interest on late payments	15	7	114.29%
	1,437,162	**1,120,761**	**28.23%**

Non-recourse receivables purchased increased by 28% and is the financial statement caption that was most affected by the transition to IAS/IFRS.
These receivables are measured at amortized cost based on the present value of estimated future cash flows.

Credit quality

The measurement of performing receivables includes receivables from the public administration overdue more than 180 days for which there are no objective elements indicating a loss either at an "individual" or at a "collective" level of the portfolio based upon a series of historical or internal statistics.
This representation is consistent with the amortized cost method of measuring non-recourse receivables purchased.
Amortized cost, in fact, is based on the discounting of estimated future cash flows which requires an estimate of the time to collection and an analysis of any transaction costs and revenues.

Property, plant and equipment

(in thousands of euros)

Description of property, plant and equipment	12.31.05	net increases	net decreases	12.31.06
Buildings	10,126	0	303	9,823
Extraordinary building maintenance	5,546	773	902	5,417
Plant	998	326	438	886
Furniture and fixtures	389	279	173	495
Electronic machines	259	228	279	208
Other property, plant and equipment	263	246	98	411
	17,581	**1,852**	**2,193**	**17,240**

At the date of IFRS First-time adoption (January 1, 2005), the properties used by the company in its business (Milan and Rome) were measured at fair value which then became the new cost from that date.
This resulted in a revaluation of buildings of about Euros 4 million.

Payables

(in thousands of euros)

	12.31.2006	12.31.2005	% Change
Due to banks	1,369,350	1,094,932	25.06%
Due to customers	36,142	97,518	-62.94%
	1,405,492	**1,192,450**	**17.87%**

Due to banks refers to loans obtained from the banking system. The increase of 25% compared to the prior year is due to a higher exposure as a result of purchases of non-recourse receivables.
Due to customers includes the loan payable to Confarma S.p.A. of Euros 10 million.

Provisions for risks and charges

Provisions for risks and charges amount to Euros 1,772 thousand and include Euros 1,580 thousand for pension funds and similar obligations. The movement during the year is presented below.

a) Pension funds and similar obligations

(in thousands of euros)

	12.31.05	Increases	Decreases	12.31.06
Long-term employee benefits	1,169	872	0	2,041

The provision includes obligations towards employees for incentive plans and contractual agreements.
These obligations have been measured in accordance with IAS 19 and the non-competition agreement was computed on the basis of actuarial calculations.

Comments on the reclassified income statement

The income statement after IAS adjustments shows a profit of Euros 20 million and is approximately Euros 4 million lower than the profit in 2005.
Comments on the most important captions of income statement are reported below.

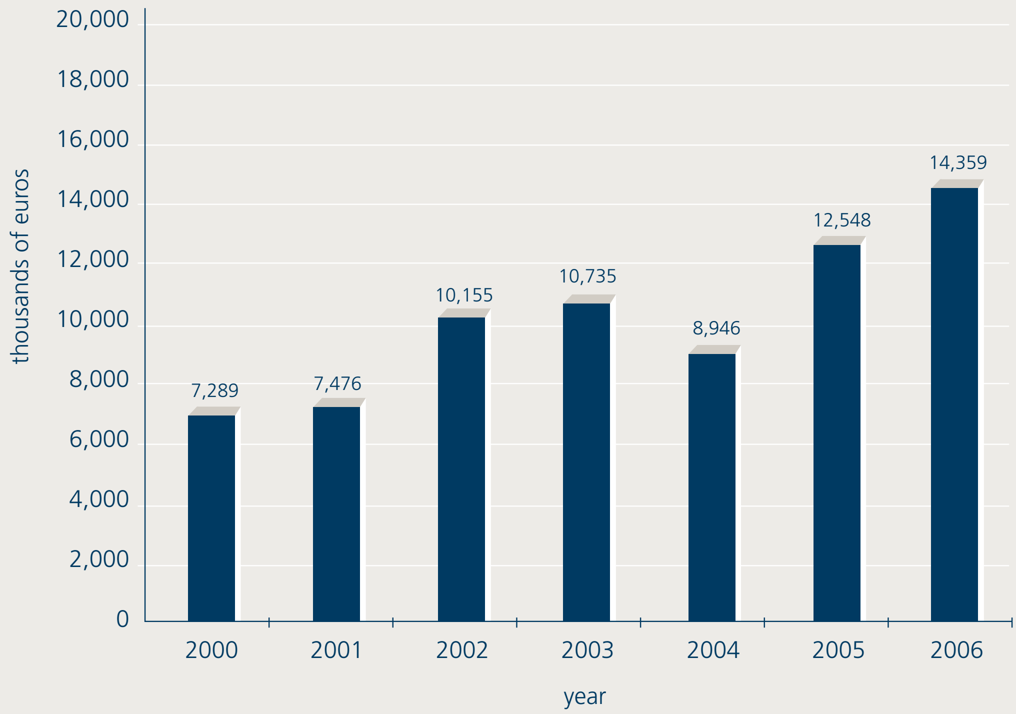
Net interest income

(in thousands of euros)

	12.31.2006	12.31.2005	Change	% Change
Maturity commissions	67,192	61,301	5,891	9.60%
Interest on late payments	14,359	12,548	1,811	14.43%
Other interest	3,780	1,566	2,214	141.37%
Total interest income	*85,331*	*75,415*	*9,916*	*13.15%*
Interest expenses	*(47,483)*	*(29,137)*	*(18,346)*	*62.96%*
Net interest income	**37,848**	**46,278**	**(8,430)**	**18.21%**

Compared to previous accounting principles, maturity commissions are classified in interest income. This classification is due to the application of the amortized cost method to measure non-recourse receivables purchased where the income connected to such purchases is recognized in relation to the return from the estimated cash flows. Maturity commissions in 2006 increased by approximately Euros 6 million compared to 2005, mainly as a result of the effect of the increase of such purchases.
Interest expenses rose by approximately Euros 18 million. Such increase is due to the effect of higher interest rates for approximately Euros 7.5 million, volumes for about Euros 7.3 million and expenses on receivables transactions which are some Euros 3.5 million more than in 2005.
The decrease in net interest income in 2006 can mainly be ascribed to the effect of the policy of higher interest rates adopted by the ECB during the year and the relative impact on Farmafactoring's interest rate curve, whereas, in 2005, expectations of an increase in the cost of money did not occur and margins were therefore higher. In December 2005, and in 2006, in fact, the period of stable interest rates since July 2003 was interrupted.
Other elements which contributed to the contraction in net interest income can be attributed to the effects of settlement agreements and the entry of new competitors in the company's area of business.
It should also be mentioned that the "Profit (loss) on financial trading activities" in connection with the recognition of derivatives shows a positive fair value with an impact on the 2006 income statement of Euros 1,446 thousand.
In view of the fact that the company uses derivative financial instruments to hedge interest rate risk with regard to purchases of non-recourse receivables, the positive fair value effect in 2006 would determine an improvement in net interest income.
In consideration of this fact, compared to the prior year, the difference in net interest income would be reduced to Euros 6,984 thousand from Euros 8,430 thousand.
Interest on late payments is calculated on non-recourse receivables purchased in the amount established by existing laws. At December 31, 2006, interest on late payments earned on those non-recourse receivables amount to approximately Euros 190 million, of which Euros 83 million has already been invoiced.
Given the uncertainty of the date of collection and the amount that will be paid, interest on late payments is recognized in the income statement when it is effectively received.
Interest on late payments collected in 2006 amount to Euros 14 million, with an increase of 14.43% compared to the prior year.
The following bar chart indicates the change in interest on late payments recognized in the income statement from 2000 to 2006.

Interest collected on late payments



Net fee and commission income

The income balance of net fees and commissions does not show any significant change from the prior year. Details are as follows:

(in thousands of euros)

	12.31.2006	12.31.2005	Change	% Change
Operating fees and commissions	10,403	10,126	277	2.53%
Bank fees and commissions	(192)	(276)	84	30.43%
Net fee and commission income	**10,211**	**9,850**	**361**	**3.45%**

Administrative expenses

Details of administrative expenses are as follows:

(in thousands of euros)

	12.31.2006	12.31.2005	Change	% Change
Personnel costs	5,949	4,612	1,337	28.99%
Other administrative expenses	11,257	11,501	(244)	-2.12%
Total administrative expenses	**17,206**	**16,113**	**1,093**	**6.78%**

Personnel costs total Euros 5,949 thousand and increased by approximately 29% compared to the prior year mainly as a result of an organic increase linked to the growth of business.

The average number of employees in 2006 compared to prior years is as follows:

Category	2002	2003	2004	2005	2006
Managers	2	2	3	3	3
Management staff	11	12	12	12	14
Other staff	33	37	40	43	47
Total	**46**	**51**	**55**	**58**	**64**

As a result of the continual increase in volumes over the last few years, in 2006, Farmafactoring reviewed certain aspects associated with the management of "Human Resources" and "Organization".
Specifically, the organization was reviewed with the aim of building up the commercial structure so as to consolidate Farmafactoring's position on the market and to improve its sales penetration ability with customers operating in the health and public administration sectors.

To this end, in 2006, the company set up two new organizational units which report directly to the General Manager:
• Sales and Business Development
• Human Resources and Organizational Development

The number of employees at the end of the year totals 68 people: 3 managers, 14 management staff and 51 other staff.

Information on the objectives and policies of the company as regards assuming, managing and hedging risks

This information is disclosed in the notes in the Appendix to Part D) "Other information".

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.

Motion to appropriate profit

Dear shareholders,
The financial statements for the year ending December 31, 2006, show a profit of Euros 19,933,664. As for the appropriation of profit, we submit the following proposal:

	(in euros)
Profit	**19,933,664**
- 5% to the legal reserve	996,683
	18,936,981
To the shareholders:	
Euros 6.90 for each of the 1,600,000 shares	11,040,000
To retained earnings	**7,896,981**

After the appropriation of the profit, the Legal reserve will total Euros 6,790,807 and Retained earnings will amount to Euros 11,050,198.
You are also called to the special session to vote on the bonus increase in share capital from Euros 80,000,000 to Euros 85,000,000 drawn from "Retained earnings" for Euros 5,000,000 and the contextual issue of 100,000 new shares.
After this increase, "Retained earnings" will be reduced to Euros 6,050,198.

The Board of Directors
The Chairman
Marco Rabuffi

Financial statements at December 31, 2006

Balance sheet

(in euros)

	Assets	12.31.2006	12.31.2005
10	Cash and cash equivalents	11,834	10,805
20	Financial assets held for trading	1,057,787	25,294
40	Available-for sale financial assets	26,887	26,887
60	Receivables	1,552,726,056	1,339,256,996
100	Property, plant and equipment	17,240,326	17,581,253
110	Intangible assets	415,051	403,209
120	Tax assets	20,406,834	26,263,420
	a) current	*12,818,017*	18,426,460
	b) deferred	*7,588,817*	7,836,960
140	Other assets	3,462,066	2,123,032
	Total Assets	**1,595,346,841**	**1,385,690,896**

(in euros)

	Liabilities and Equity	12.31.2006	12.31.2005
10	Payables	1,405,492,741	1,192,450,367
20	Securities in issue	16,700,000	37,800,000
30	Financial liabilities held for trading	0	413,254
70	Tax liabilities	24,788,269	24,222,737
	a) current	*11,445,733*	*12,821,524*
	b) deferred	*13,342,536*	*11,401,213*
90	Other liabilities	11,849,269	11,794,420
100	Employee severance indemnity	1,091,623	1,063,069
110	Provisions for risks and charges	2,232,653	1,659,427
	a) pension funds and similar obligations	*2,040,832*	*1,168,947*
	b) other provisions	*191,821*	*490,480*
120	Share capital	80,000,000	65,000,000
160	Reserves	9,035,646	7,328,901
170	Valuation reserves	24,222,976	19,547,490
180	Profit for the year	19,933,664	24,411,231
	Total Liabilities and Equity	**1,595,346,841**	**1,385,690,896**

Income statement

(in euros)

	Costs	12.31.2006	12.31.2005
10	Interest and similar income	85,330,462	75,414,724
20	Interest expenses and similar charges	(47,483,484)	(29,136,638)
	Net interest income	**37,846,978**	**46,278,086**
30	Fee and commission income	10,402,837	10,126,139
40	Fee and commission charges	(192,322)	(276,210)
	Net fee and commission income	**10,210,515**	**9,849,929**
60	Profit (loss) on financial trading activities	1,445,748	93,001
	Total operating income	**49,503,241**	**56,221,016**
120	Administrative expenses		
	a) personnel costs	*(5,949,315)*	*(4,611,890)*
	b) other administrative expenses	*(11,257,389)*	*(11,500,586)*
130	Net adjustment to property, plant and equipment	(2,190,800)	(2,032,863)
140	Net adjustment to intangible assets	(262,870)	(252,098)
160	Net charges to provisions for risks and charges	(853,917)	(405,888)
170	Other operating expenses	(661,597)	(1,729,066)
180	Other operating income	5,078,698	5,341,481
	Net operating income	**33,406,051**	**41,030,106**
	Pre-tax operating profit	**33,406,051**	**41,030,106**
210	Income taxes for the year	(13,472,387)	(16,618,875)
	Profit for the year after income taxes	*19,933,664*	24,411,231
	Profit for the year	**19,933,664**	**24,411,231**

Statement of changes in equity

(in thousands of euros)

				Prior year profit appropriations		Change during the year in equity					
	Opening balance 12.31.2005	Adjust. to opening balance	Opening balance 1.1.2006	Reserves	Dividends and other approp.	Change in reserves	New share issue	Purchase of treasury shares	Payment of extraord. dividends	Change in equity stock	Profit	Equity 12.31.2006
Share capital	65,000		65,000				15,000					80,000
Share premium												-
Reserves												-
a) earnings	2,433		2,433	15,720			(15,000)					3,153
b) other	12,283	(7,387)	4,896	986								5,882
Valuation reserves		19,547	19,547	4,675								24,222
Equity securities												-
Treasury shares												-
Profit	19,736	4,675	24,411	21,381	(3,029)						19,934	19,934
Equity	**99,452**	**16,835**	**116,287**	**-**	**(3,029)**						**19,934**	**133,191**

Statement of Cash Flow

Operating Activities	(in euros)
1. Operations	**23,645,341**
profit for the year	19,933,664
gains/losses on financial assets held for trading and on assets/liabilities designated at fair value	
gains/losses on hedging activities	
impairment losses/reversals	
impairment losses/reversals on property, plant and equipment and intangible assets	2,453,670
net charge to provisions and other costs/revenues	601,780
upaid indirect taxes and duties	654,369
impairment losses/reversals of groups of assets held for sale net of tax effect	
other	1,858
2. Cash Flows from/used by Financial Assets	**209,984,001**
financial assets held for trading	1,032,494
financial assets designated at fair value	
available-for-sale financial assets	
due from banks: on demand	(104,668,336)
due from banks: other	
due from customers	316,399,787
other assets	(2,779,944)
3. Cash Flows from/used by Financial Liabilities	**191,495,133**
due to banks: on demand	274,417,868
due to banks: other	
due to customers	(61,375,493)
securities in issue	(21,100,000)
financial liabilities held for trading	(413,254)
financial liabilities designated at fair value	
other liabilities	(33,988)
Net Cash Flows from/used in Operating Activities	**5,156,473**

Investing Activities	
1. Cash Flows from	
sale of investments	
sale of financial asset held to maturity	
sale of property, plant and equipment	
sale of intangible assets	
2. Cash Flows used in	
purchase of investments	
purchase of financial asset held to maturity	
purchase of property, plant and equipment	(1,851,552)
purchase of intangible assets	(274,712)
Net Cash Flows from/used in Investing Activities	**(2,126,264)**

Financing Activities	
sale/purchase of treasury shares	
share capital increase	
dividends paid and other	(3,029,000)
Net Cash Flows from/used in Financing Activities	**(3,029,000)**
Net increase in Cash and Cash equivalents	**1,209**

Riconciliation

	(in euros)
Cash and cash equivalents at beginning of year	10,805
Net increase in cash and cash equivalents during the year	1,209
Cash and cash equivalents at end of year	11,834

Notes to the financial statements

To the Shareholders,
The notes are arranged as follows:

1. Part A - Summary of significant accounting policies
2. Part B - Information on the balance sheet
3. Part C - Information on the income statement
4. Part D - Other information

Each part of the notes is arranged by section, each of which illustrates a single aspect of operations. The sections include both qualitative and quantitative disclosures.

Part A - Summary of significant accounting policies

A.1 - General information

Section 1 - Statement of compliance with international accounting principles
The financial statements have been prepared in accordance with the accounting standards issued by the IASB, endorsed by the European Commission, as established in EC Regulation 1606 of July 19, 2002 which deals with the coming into force of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). The financial statements have been prepared according to the formats contained in the instructions set forth in the measure issued by the Governor of the Bank of Italy on February 14, 2006 and relative transitory provisions.

Section 2 - Basis of presentation
The international accounting principles have been applied by giving precedence to substance over form, the concept of the relevance and the significance of information.
The components of the financial statements are measured in accordance with the general criteria of prudence, the going-concern concept and on the accrual basis.
The financial statements include the balance sheet, the income statement, the statement of cash flows and the statement of changes in equity, the notes to the financial statements and the directors' report on operations.
The notes are prepared in thousands of euros and present comparative figures for the prior year which have been reclassified for purposes of comparison.

Section 3 - Subsequent events
• On January 25, 2007, the company FF Holding S.p.A. purchased another 140 shares of the company Confarma S.p.A.
Together with the shares purchased on December 19, 2006, FF Holding now has a 86% stake in Confarma S.p.A. for a total of 2,500 shares and, consequently, control over Farmafactoring with a 92% stake.

• Your company has transactions in the process of being finalized with Local ASLs, AOs and Regional Entities for the purpose of reducing the collection times with those that have serious delays in payment.

• During the first two months of 2007, performance has been positive both in terms of non-recourse receivables purchased and in terms of collections.

• In 2007, Confarma S.p.A. and Farmafactoring will merge to shorten the FF Holding S.p.A. chain of control, thus combining the decisional process and achieving administrative and corporate savings. An inverse merger will be carried out with Confarma merged in and with Farmafactoring. This is the preferred treatment since it would simplify administrative requirements by keeping all the authorizations to conduct operations, relations with employees, the credit institutions, customers and third parties in general with the operating company Farmafactoring.

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

Section 4 - Other aspects

The shareholders' meeting held on April 28, 2006 appointed PricewaterhouseCoopers S.p.A. to audit the company for the three-year period 2006, 2007 and 2008 pursuant to the provisions of art. 2409 bis of the Italian Civil Code.

A.2 - Information on the main aggregates of the financial statements

Information is provided below on the main aggregates of the financial statements, recognition, classification, measurement and derecognition.

A.2.1. Financial assets held for trading

Recognition

Derivatives are initially recognized at the transaction date at fair value.

Classification

Financial assets held for trading include financial instruments used to hedge fluctuations in market interest rates compared to the fixed rate implicit in the non-recourse fees and commissions.

Derivatives are recognized as assets/liabilities held for trading in accordance with IAS 39 although operationally they are considered as hedges of interest rate risk relating to the purchase activities of non-recourse receivables.

Measurement

Derivatives are measured at fair value.

Derecognition

Financial assets held for trading are derecognized when the contractual rights have expired and when, as a result of the sale, the company has substantially transferred all the risks and rewards of ownership.

A.2.2. Available-for-sale financial assets

Recognition and classification

These are non-derivative financial assets (held for an indefinite period of time) which are not classified as receivables, financial assets held to maturity or assets designated at fair value.

Monetary market securities, other debt instruments and equity securities may be classified as available-for sale financial assets which can, for any reason, such as liquidity requirements or changes in interest rates, in exchange rates or in the prices of equity securities, be sold.

The investment in Nomisma S.p.A. is recognized on this line since it is not subject to a significant influence.

Measurement
The investment in Nomisma S.p.A. is accounted for at cost.

Derecognition
The investment is derecognized at the time of sale.

A.2.3. Receivables

Recognition
a) Non-recourse receivables purchased with the transfer of substantially all the risks and rewards of ownership are recognized initially at the nominal amount of the receivable net of fees and commission charged to the assignor which represents fair value.
b) Receivables purchased for amounts below the nominal amount are recognized for the amount effectively paid at the time of purchase.

Measurement
Non-recourse receivables purchased subsequent to initial recognition are measured at amortized cost determined on the basis of the present value of estimated future cash flows.

The measurement of performing receivables also includes receivables from the public administration overdue more than 180 days for which there are no objective elements indicating a loss either at an "individual" or at a "collective" level of the portfolio based upon a series of historical or internal statistics.
The due date of such receivables should not be considered as the date indicated in the formal contract but rather the date of estimated collection.
This representation is consistent with the method of measuring non-recourse receivables purchased at amortized cost which is in fact based on discounting estimated future cash flows.

Interest on late payments are recognized in the income statement at the time of actual collection.

Derecognition
Receivables are eliminated when they are considered unrecoverable. However, as disclosed in the measurement criteria, owing to the type of debtors this event has never occurred.

A.2.4. Property, plant and equipment

Recognition and classification
Property, plant and equipment include assets and properties, plant and equipment held for use by the company.
Property, plant and equipment are recognized initially at cost, including directly attributable costs to bring the asset to use.
Ordinary maintenance costs are recorded directly in the income statement.

Measurement
At the date of IFRS First-time adoption (January 1, 2005), the properties used by the company in its business were measured at fair value which then became the new cost from that date.
Subsequent to initial recognition, the other property, plant and equipment are accounted for at cost less depreciation. Such assets are depreciated on a straight-line basis over the remaining estimated useful life.

Derecognition
Property, plant and equipment are eliminated from the balance sheet at the time of disposal or when the asset is permanently retired from use or when future economic benefits are not expected to derive from its disposal.

A.2.5. Intangible assets

Recognition and classification
Intangible assets are basically represented by software for multiyear use.

Measurement
Intangible assets are recognized at cost net of amortization calculated on a straight-line basis over the remaining estimated period of benefit.

Derecognition
Intangible assets are eliminated at the time of disposal or when the asset is permanently retired from use.

A.2.6. Tax assets and liabilities

Income taxes are calculated in accordance with enacted tax legislation.
The tax charge consists of the total amount of current and deferred income taxes included in arriving at the result for the year.
Current income taxes correspond to the amount of income taxes on the taxable income for the year.
Deferred income taxes correspond to the amount of income taxes due in future years on temporary taxable differences. Deferred tax assets correspond to the amount of income taxes recoverable in future years and refer to deductible temporary differences.
The tax amount of an asset or a liability is the value attributed to that asset or liability according to enacted tax legislation.
A deferred tax liability is recognized on all taxable temporary differences as set forth in IAS 12.
A deferred tax asset is recognized on all deductible temporary differences as set forth in IAS 12 only if recovery against future taxable income is assured.

Deferred tax assets and liabilities are calculated on the basis of enacted tax rates in the year in which the asset will be realized or the liability will be paid.

Current and deferred tax charges and benefits are recognized in the income statement.

The company, starting from the year 2005, has adhered to the national consolidated tax system and all the payables and any receivables have been grouped under the parent company Confarma S.p.A., starting from that date. Consequently, the tax assets and liabilities presented in Section 12 refer to payables and receivables with the parent Confarma S.p.A.

A.2.7. Payables

Recognition and measurement
Payables basically include: exposure with the banks and the residual amount payable to the assignors.
Payables are stated at the nominal amounts.

A.2.8. Employee severance indemnities (TFR)

Recognition and measurement
The provision for employee severance indemnities is calculated by estimating the remaining service life of the employees, by individual person or homogeneous groups, on the basis of demographic assumptions:
• projecting the TFR already matured on the basis of demographic and financial assumptions to estimate the amount payable at the time of termination of employment;
• discounting the amount previously estimated to present value at the measurement date, on the basis of financial assumptions;
• recognizing actuarial gains and losses directly in equity under 'valuation reserves".

A.2.9. Provisions for risks and charges

Recognition and measurement
Provisions for risks and charges include costs and expenses of a determinate nature considered certain or probable which, at the balance sheet date are uncertain as to amount or as to the date on which they will arise.
The charge to the provisions for risks and charges is only made when:
• there is a present obligation as a result of a past event;
• settlement is expected to result in an outflow of resources;
• the amount of the obligation can be reliably measured.

The provisions for risks and charges include, in accordance with IAS 19, the quantification of post-employment benefits.
The quantification of such obligations in the balance sheet is made on the basis of actuarial calculations by determining the charge at the measurement date on the basis of demographic and financial assumptions.

A.2.12. Recognition of revenue

• Interest income on receivables due from customers is recognized at the effective return; similarly commissions charged to the assignor for the purchase of non-recourse receivables are recognized as transaction revenues and are therefore part of the effective return of the receivable.
• Interest on late payments is calculated on non-recourse receivables purchased 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 during the year.

• Commissions on credit management for receivables collection on behalf of assignors are recognized in two successive stages in relation to the time and nature of the service rendered:
- when the receivables are entrusted for credit management
- when the receivables are collected

Part B - Information on the balance sheet

All amounts are expressed in thousands of euros

Assets

Section 1 - Cash and cash equivalents - caption 10

Euros 12

Cash and cash equivalents are represented by the cash fund and the liquidity on the postal account. There are no significant changes compared to December 31, 2005.

Section 2 - Financial assets held for trading - caption 20

Euros 1,058

Financial assets held for trading refer to the recognition of derivative financial instruments to hedge interest rate risk, measured at fair value.

2.2. - Derivative financial instruments

Type/underlying	Interest rate	Currency	Equity securities	Other	Total 12.31.2006	Total 12.31.2005
1. Listed						
Futures						
Forward contracts						
Forward rate agreements						
Swaps						
Options						
Other						
Other derivatives						
Total						
2. Unlisted						
Forward contracts						
Forward rate agreements						
Swaps	1,058				1,058	25
Options						
Other						
Other derivatives						
Total	1,058				1,058	25
Total	**1,058**				**1,058**	**25**

2.3 - Financial assets held for trading: composition by debtor/issuer

Caption/Amount	12.31.2006		12.31.2005	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities				
a. Public entities				
b. Banks				
c. Financial institutions				
d. Other issuers				
2. Equity securities				
a. Banks				
b. Financial institutions				
c. Other issuers				
3. O.I.C.R. quotas				
4. Financing				
a. Public entities				
b. Banks				
c. Financial institutions				
d. Other issuers				
5. Other assets				
a. Public entities				
b. Banks				
c. Financial institutions				
d. Other issuers				
6. Assets sold and not canceled				
a. Public entities				
b. Banks				
c. Financial institutions				
d. Other issuers				
7. Impaired assets				
a. Banks				
b. Financial institutions				
c. Other issuers				
8. Derivative instruments				
a. Banks		1,058		25
b. Financial institutions				
c. Other issuers				
Total		**1,058**		**25**

2.4 - Financial assets held for trading: annual changes

Change/Type	Debt securities	Equity securities	O.I.C.R. quotas	Financing	Impaired assets	Derivative instruments	Total
A. Beginning balance						**25**	**25**
B. Increases							
B.1 Purchases							
B.2 Positive fair value changes							
B.3 Other changes						1,058	1,058
C. Decreases							
C.1 Sales							
C.2 Reimbursements							
C.3 Negative fair value changes							
C.4 Other changes						(25)	(25)
D. Ending balance						**1,058**	**1,058**

Section 3 - Financial assets designated at fair value - caption 30

At December 31, 2006 and 2005, there were no amounts recorded in this Section.

Section 4 - Available-for-sale financial assets - caption 40

Euros 27

This amount represents the investment in the company Nomisma S.p.A.

The main information about the investment is as follows:

Description	Carrying amount	No. of shares purchased	Par value per share	Percentage of investment holding
Nomisma S.p.A.	27	72,667	0.37	0.503%

Key figures on Nomisma S.p.A. are as follows:

(amounts in euros referring to 2005)

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

4.1 - Composition of caption 40 "Available-for-sale financial assets"

Items/Amounts	12.31.2006		12.31.2005	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities				
2. Equity securities		27		27
3. O.I.C.R. quotas				
4. Financing				
5. Other assets				
6. Assets sold and not canceled				
6.1 fully recognized				
6.2 partially recognized				
7. Impaired assets				
Total	**-**	**27**	**-**	**27**

4.2 - Available-for-sale financial assets: composition by debtor/issuer

Items/Amounts	12.31.2006		12.31.2005	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities				
a. Public entities				
b. Banks				
c. Financial institutions				
d. Other issuers				
2. Equity securities				
a. Banks				
b. Financial institutions				
c. Other issuers		27		27
3. O.I.C.R. quotas				
4. Financing				
a. Public entities				
b. Banks				
c. Financial institutions				
d. Other issuers				
5. Other assets				
a. Public entities				
b. Banks				
c. Financial institutions				
d. Other issuers				
6. Assets sold and not canceled				
a. Public entities				
b. Banks				
c. Financial institutions				
d. Other issuers				
7. Impaired assets				
a. Banks				
b. Financial institutions				
c. Other issuers				
Total		**27**		**27**

4.3 - Available-for-sale financial assets: annual changes

Changes/Type	Debt securities	Equity securities	O.I.C.R. quotas	Financing	Other assets	Impaired assets	Total
A. Beginning balance		27					27
B. Increase B.1 Purchases B.2 Positive fair value changes B.3 Other changes							
C. Decrease C.1 Sales C.2 Reimbursements C.3 Negative fair value changes C.4 Other changes							
D. Ending balance		27					27

Section 5 - Financial assets designated at fair value - caption 30

At December 31, 2006 and 2005, there were no amounts recorded in this Section.

Section 6 - Receivables - caption 60

Euros 1,552,726

The capital mainly includes receivables from debtors relating to factoring activities.

6.1 Due from banks

Euros 82,843

Due from banks refer to current bank account balances which the company has with banks at December 31, 2006.

The caption includes liquidity deriving from collections received in the final days of the year relating to both receivables collection "management" and "non-recourse receivables purchased" until they are cleared.

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

Composition	12.31.2006	12.31.2005
1. Deposits and current accounts	82,843	92,301
2. Repurchase agreements		
3. Financing		
3.1 finance leases		
3.2 factoring activities		
receivables from assignors		
receivables from debtors assigned		
3.3 other financing		
4. Debt securities		
5. Other assets	0	95,211
6. Assets sold and not canceled		
6.1 fully recognized		
6.2 partially recognized		
7. Impaired assets		
7.1 finance lease		
7.2 factoring activities		
7.3 other financing		
Total carrying amount	**82,843**	**187,512**
Total fair value	**82,843**	**187,512**

6.3 Due from financial institutions
Euros 32,721

"Other assets" in this caption is the contra-entry for the receivables sold to the company Justine Capital S.r.l. in December 2006, which was collected in January 2007.
As a result of the sale, all of the risks and rewards relating to the assets sold were completely transferred to the assignee.

Composition	12.31.2006	12.31.2005
1. Repurchase agreements		
2. Financing		
2.1 finance leases		
2.2 factoring activities		
receivables from assignors		
receivables from debtors assigned		
2.3 other financing		
3. Securities		
4. Other assets	32,721	30,984
5. Assets sold and not canceled		
5.1 fully recognized		
5.2 partially recognized		
6. Impaired assets		
6.1 finance leases		
6.2 factoring activities		
6.3 other financing		
Total carrying amount	**32,721**	**30,984**
Total fair value	**32,721**	**30,984**

6.5 Due from customers
Euros 1,437,161

The composition of the caption includes the following:
• non-recourse receivables purchased, recorded in the name of the debtor assigned, which meet the conditions for recognition and are measured at amortized cost. The balance is Euros 1,428,119;
• receivables for advances and commissions to be invoiced to assignors for Euros 6,109;
• receivables from assignors for legal fees to be recovered for Euros 2,025;
• receivables purchased for an amount below the nominal amount recorded for the amount effectively paid at the date of purchase. The balance is Euros 908;
• receivables for interest on late payments invoiced at December 31, 2006 amounting to Euros 83,234 thousand, entirely written off by a charge to the provision for interest on late payments for the same amount.

Composition	12.31.2006	12.31.2005
1. Finance leases		
1.1 Receivables for assets sold under finance leases:		
of which, without final purchase option		
1.2 Other receivables		
2. Factoring		
- receivables from assignors		
- receivables from debtors assigned	1,428,119	1,113,524
3. Consumer credit		
4. Credit cards		
5. Other financing	6,109	3,351
of which: from guarantees and commitments		
6. Securities		
7. Other assets	2,025	2,264
8. Assets sold and not canceled		
8.1. fully recognized		
8.2. partially recognized		
9. Impaired assets		
- Finance lease		
- Factoring	908	1,622
- Consumer credit		
- Credit cards		
- Other loans		
Total carrying amount	**1,437,161**	**1,120,761**
Total fair value	**1,437,161**	**1,120,761**

The non-recourse receivables purchases, 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, 2006, 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, 2006, even though the above legal action has been taken.

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.

As stated in the Report on Operations, certain settlement agreements were executed during the year with ASLs and AOs of the Lazio, Campania and Abruzzi Regions regarding receivables of about Euros 422 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.

Section 7 - Hedging derivatives - caption 70
At December 31, 2006 and 2005, there were no amounts recorded in this Section.

Section 8 - Fair value changes of hedged financial assets - caption 80
At December 31, 2006 and 2005, there were no amounts recorded in this Section.

Section 9 - Financial assets designated at fair value - caption 90
At December 31, 2006 and 2005, there were no amounts recorded in this Section.

Section 10 - Property, plant and equipment - caption 100

10.1 Composition of caption 100 "Property, plant and equipment"
Euros 17,240

Captions/Measurements	12.31.2006		12.31.2005	
	Assets accounted for at cost	Assets measured at fair value revalued	Assets accounted for at cost	Assets measured at fair value revalued
1. Property, plant and equipment				
1.1 owned				
a. land	3,685		3,685	
b. buildings	11,557		11,988	
c. furniture and fixtures	495		389	
d. for own use				
e. other	1,503		1,519	
1.2 purchased under finance leases				
a. land				
b. buildings				
c. furniture and fixtures				
d. for own use				
e. other				
Total 1	**17,240**		**17,581**	
2. Assets referable to finance leases				
2.1 unopted assets				
2.2 assets purchased at end of lease				
2.3 other assets				
Total 2				
3. Assets held for investment				
of which: granted under operating leases (to specify)				
Total 3				
Total 1+2+3	**17,240**		**17,581**	
Total (assets at cost and revalued)	**17,240**		**17,581**	

10.2 Property, plant and equipment:

	Land	Buildings	Forniture and fixtures	For own use	Other	Total
A. Beginning balance	3,685	11,988	389		1,519	**17,581**
B. Increases						
B.1 Purchases		774	279		799	1,852
B.2 Impairment reversals						
B.3 Positive fair value changes allocated to:						
equity						
income statement						
B.4 Other changes						
C. Decreases						
C.1 Sales					(2)	(2)
C.2 Depreciation		(1,205)	(173)		(813)	(2,191)
C.3 Impairment losses allocated to:						
equity						
income statement						
C.4 Negative fair value changes allocated to:						
equity						
income statement						
C.5 Altre variazioni						
D. Ending balance	3,685	11,557	495		1,503	**17,240**

At the date of IFRS First-time adoption (January 1, 2005), the properties used by the company in its business (Milan and Rome) were measured at fair value which then became the new cost from that date.
This resulted in a revaluation of buildings of about Euros 4 million.
In the financial statements, the land on which the owned Milan building sits (at Via Domenichino 5) was separated on the basis of an appraisal conducted by the same company which determined the value of both the land and building.
The land on which the Rome building sits was not separated because Farmafactoring is not the "cielo terra" owner.

Additions during the year regarding the building in Milan include the completion of the reorganization of the office space and the purchase of the relative furniture and fixtures.
The most important additions in "Other" refer to the overhaul of the air-conditioning system for about Euros 280 and hardware and office machines for about Euros 230.

Section 11 - Intangible assets - caption 110

11.1 Composition of caption 110 "Intangible assets"
Euros 415

	12.31.2006		12.31.2005	
	Assets accounted for at cost	Assets measured at fair value revalued	Assets accounted for at cost	Assets measured at fair value revalued
1. Goodwill				
2. Other intangible assets				
2.1 owned and generated internally				
other	415		403	
2.2 purchased under finance leases				
Total 2	**415**		**403**	
3. Assets referable to finance leases				
3.1 unopted assets				
3.2 assets purchased at end of lease				
3.3 other assets				
Total 3				
4. Assets granted under operating leases				
Total (1+2+3+4)	**415**		**403**	
Total (Assets at cost + Assets at fair value)	**415**		**403**	

Intangible assets are recorded at cost; the carrying amount is net of amortization which is calculated on the basis of the residual estimated useful benefit.

11.2 Intangible assets: annual changes

A. Beginning balance	**403**
B. Increases	
B.1 Purchases	275
B.2 Impairment reversals	
B.3 Positive fair value changes to:	
equity	
income statement	
B.4 Other changes	
C. Decrease	
C.1. Sells	
C.2 Amortization	(263)
C.3 Impairment loss to:	
equity	
income statement	
C.4 Negative fair value changes to:	
equity	
income statement	
C.5 Other changes	
D. Rimanenze finali	**415**

Section 12 - Tax assets and liabilities - captions 120 and 70

12.1 Composition of caption 120 "Tax assets: current and deferred"
Euros 20,407

	12.31.2006	12.31.2005
a) Current tax assets:		
IRAP on-account payments	2,176	2,640
IRES on-account payments	10,642	15,771
Other	0	15
Current tax assets	*12,818*	*18,426*
b) Deferred tax assets:		
Deferred tax assets	7,589	7,837
Deferred tax assets	*7,589*	*7,837*
Total fiscal assets	**20,407**	**26,263**

The most significant item in "Deferred tax assets" refers to the residual amount of deferred tax assets recorded in 2004 in respect of financial expenses connected with the receivables securitization transaction with FL Finance S.r.l. Such expenses are deductible proportionally over the five-year period of the securitization transaction on the basis of rulings by the tax authorities.

The remaining amount of such deferred tax assets at December 31, 2006 is Euros 4,386.

12.2 Composition of caption 70 "Tax liabilities: current and deferred"
Euros 24,788

	12.31.2006	12.31.2005
a) Current tax liabilities:		
Prior year residual amount	163	164
Ires and Irap charge	11,283	12,658
Current tax liabilities	*11,446*	*12,822*
b) Deferred tax liabilities	13,342	11,401
Total tax liabilities	**24,788**	**24,223**

12.3 Change in deferred tax assets (contra-entry in the income statement)

	Total 12.31.2006	Total 12.31.2005
1. Beginning balance	**7,837**	**10,311**
2. Increases		
2.1 Deferred tax assets recognized during the year		
a) relating to prior years		
b) due to change in accounting policies		
c) impairment reversal		
d) other		
2.2 New income taxes or increases in tax rates	1,726	179
2.3 Other increases		
3. Decreases		
3.1 Deferred tax assets canceled during the year		
a) reversed	(1,974)	(2,653)
b) writedowns due to non-recoverability		
c) due to change in accounting policies		
3.2 Reductions in tax rates		
3.3 Other decreases		
4. Ending balance	**7,589**	**7,837**

12.4 Change in deferred tax liabilities (contra-account in the income statement)

	Total 12.31.2006	Total 12.31.2005
1. Beginning balance	**11,401**	**9,914**
2. Increases		
2.1 Deferred tax liabilities recognized during the year		
a) relating to prior years		
b) due to change in accounting policies		
c) other		
2.2 New income taxes or increases in tax rates	1,952	1,533
2.3 Other increases		
3. Decreases		
3.1 Deferred tax liabilities canceled during the year		
a) reversed	(11)	(46)
b) due to change in accounting policies		
c) other		
3.2 Reductions in tax rates		
3.3 Other decreases		
4. Ending balance	**13,342**	**11,401**

Section 14 - Other assets - caption 140

14.1 Composition of caption 140 "Other assets"
Euros 3,462

	12.31.2006	12.31.2005
Security deposits	15	11
Advances with suppliers	81	16
Accrued income and prepaid expenses	3,199	1,944
Other receivables	167	152
Balance at 12.31.2006	**3,462**	**2,123**

Liabilities

Section 1 - Payables - caption 10

Euros 1,405,492

1.1 Due to banks
Euros 1,369,350

Captions	Total 12.31.2006	Total 12.31.2005
1. Repurchase agreements		
2. Financing	1,369,350	1,094,932
3. Other amounts due		
Total	**1,369,350**	**1,094,932**
Fair value	**1,369,350**	**1,094,932**

Due to banks refers to amounts due to banking institutions.

1.3 Due to customers
Euros 36,142

Captions	Total 12.31.2006	Total 12.31.2005
1. Repurchase agreements		
2. Financing		
3. Other amounts due	36,142	97,518
Total	**36,142**	**97,518**
Fair value	**36,142**	**97,518**

Due to customers includes the amount due to the parent Confarma S.p.A. for a loan received in for Euros 10,000.

Section 2 - Securities in issue - caption 20

2.1 Composition of caption 20 "Securities in issue"
Euros 16,700

Liabilities	Total 12.31.2006		Total 12.31.2005	
	Carrying amount	Fair Value	Carrying amount	Fair Value
1. Listed securities				
bonds				
other securities				
2. Unlisted securities				
bonds				
other securities	16,700	16,700	37,800	37,800
Total	**16,700**	**16,700**	**37,800**	**37,800**

Securities in issue refer to commercial paper issued on the market.

Section 3 - Financial liabilities held for trading - caption 30

3.1 Composition of caption 30 "Financial liabilities held for trading"

Passività	Total 12.31.2006		Total 12.31.2005	
	Fair value	Nominal notional amount	Fair value	Nominal notional amount
1. Payables				
2. Securities in issue				
bonds				
other securities				
3. Derivatives			413	150,000
Total			413	150,000

Section 4 - Financial liabilities designated at fair value - caption 40
At December 31, 2006 and 2005, there were no amounts recorded in this Section.

Section 5 - Hedging derivatives - caption 50
At December 31, 2006 and 2005, there were no amounts recorded in this Section.

Section 6 - Fair value changes of macro-hedged financial liabilities - caption 60
At December 31, 2006 and 2005, there were no amounts recorded in this Section.

Section 7 - Tax liabilities - caption 70
For information on this section, see Section 12 of Assets.

Section 8 - Liabilities relating to assets held for sale - caption 80
At December 31, 2006 and 2005, there were no amounts recorded in this Section.

Section 9 - Other liabilities - caption 90
Euros 11,849

9.1 Composition of caption 90 "Other liabilities"

	12.31.2006	12.31.2005
Payables to suppliers and invoices to be received	3,190	3,774
Payables to the tax authorities	431	391
Payables to social securities agencies	180	167
Payables to employees	803	409
Payables for receivables management	1,412	0
Collections pending allocation	2,073	4,243
Accrued liabilities and deferred income	2,794	2,091
Other payables	966	719
	11,849	**11,794**

Compared to the prior year, collections pending allocation decreased from Euros 4,243 at December 31, 2005 to Euros 2,073.
Payables to suppliers refer to purchases of goods and services.
Accrued liabilities and deferred income mainly include interest accrued on loans.

Section 10 - Employee severance indemnities - caption 100

Euros 1,092

10.1 "Employee severance indemnities": annual changes

	Total 12.31.2006	Total 12.31.2005
A. Beginning balance	**1,063**	**927**
B. Increases		
B.1 Charge for the year	218	188
B.2 Other increases	3	22
C. Decreases		
C.1 Payments made	(46)	(5)
C.2 Other decreases	(146)	(69)
D. Ending balance	**1,092**	**1,063**

10.2 "Other information"

The provision for employee severance indemnities includes all amounts matured by employees up to December 31, 2006.
Increases include "other increases" which refer to actuarial losses recognized directly in equity.
The liability recognized in the financial statements at December 31, 2006 represents the present value of the obligation estimated by an independent actuarial firm.
The amount was estimated on the basis of assumptions about changes in the composition of the employee population based on service life estimates, the probability of payments in advance and increases in compensation.

Section 11 - Provisions for risks and charges - caption 110

Euros 1,772

11.1 Composition of caption 110 "Provisions for risks and charges"

	12.31.2006	12.31.2005
Pension funds and similar obligations	2,041	1,169
Other provisions	192	490
	2,233	**1,659**

11.2 "Provisions for risks and charges": annual changes

	Total 12.31.2006	Total 12.31.2005
Beginning balance	**1,659**	**1,618**
Increases:		
B.1 Charge for the year	854	405
Decreases		
Use during the year	(280)	(364)
Ending balance	**2,233**	**1,659**

Section 12 - Equity - captions 120,130,140,150,160 and 170

12.1 Composition of caption 120 "Share capital"
Euros 80,000

	Amount
1. Share capital	
1.1 Ordinary shares	80,000
1.2 Other shares (to specify)	

Share capital consist of 1,600,000 ordinary shares of par value Euros 50 each.
The shareholders, in the special meeting held on April 28, 2006, passed a resolution to increase share capital from Euros 65,000 to Euros 80,000 in the form of a bonus increase drawn from retained earnings.

12.5 Composition and annual changes in caption 160 "Reserves"

	Legal reserve	Retained earnings	Other reserves: Extraordinary	Total
A. Beginning balance	**4,807**	**2,433**	**88**	**7,328**
B. Increases				
B.1 Appropriation of profit	987	15,720		16,707
B.2 Other changes				
C. Decreases				
C.1 Use for the year				
- coverage of losses				
- distribution				
- transfer to share capital		(15,000)		(15,000)
C.2 Other changes				
D. Ending balance	**5,794**	**3,153**	**88**	**9,035**

Legal reserve

The increase in the legal reserve of Euros 987 from the end of the prior year is due to the appropriation of the profit for the year ended December 31, 2005, as approved by the shareholders' meeting held on April 26, 2006.

Other reserves

The balance in other reserves has remained unchanged compared to the prior year.

Retained earnings

The increase in retained earnings of Euros 15,720 from the end of last year is due to the appropriation of the profit for the year ended December 31, 2005, as approved by the shareholders' meeting held on April 26, 2006. The subsequent reduction of Euros 15,000 refers to the appropriation to increase share capital from Euros 65,000 to Euros 80,000 from retained earning, as approved by the special shareholders' meeting held on April 28, 2006.

12.6 Composition and annual changes in caption 170 "Valuation reserves"

	Available for sale financial assets	Property, plant and equipment	Intangible assets	Cash flow hedges	Special revaluation laws	Other	Total
A. Beginning balance		**2,660**				**16,887**	**19,547**
B. Increases							
B.1 Positive fair value changes							
B.2 Other changes		136				4,539	4,675
C. Decreases							
C.1 Negative fair value changes							
C.2 Other changes							
D. Ending balance		**2,796**				**21,426**	**24,222**

Part C - Information on the income statement

All amounts are expressed in thousands of euros

Section 1 - Interest - captions 10 and 20

1.1 Composition of caption 10 "Interest and similar income"
Euros 85,330

Captions/ Technical types	Debt securities	Financing	Impaired assets	Other	Total 2006	Total 2005
1. Financial assets held for trading						
2. Financial assets designated at fair value						
3. Available-for-sale financial assets						
4. Financial assets held to maturity						
5. Receivables						
5.1 Due from banks						
- for finance leases						
- for factoring						
- for guarantees and commitments						
- for other		960			960	503
5.2 Due from financial institutions						
- for finance leases						
- for factoring						
- for guarantees and commitments						
- for other				286	286	-
5.2 Due from customers						
- for finance leases						
- for factoring		67,192			67,192	61,302
- for guarantees and commitments						
- for other				16,892	16,892	13,609
6. Other assets						
7. Hedging derivatives						
Total	**-**	**68,152**	**-**	**17,178**	**85,330**	**75,415**

1.2 Interest and similar income: other information

Interest from credit institutions refer to temporary cash on hand in the bank current accounts. Interest "due from customers" for "factoring" amounts to Euros 67,192 and consists of fees and commissions charged to the assignors for the purchase of non-recourse receivables. Compared to the previous accounting policies applied, these fees and commissions are now classified in interest income. This classification is due to the adoption of a different policy for the measurement of non-recourse receivables purchased in accordance with IAS 39 at amortized cost as a result of which the income connected with such activity is recognized in relation to the return on discounting estimated cash flows. Maturity commissions in 2006 increased by about Euros 6 million compared to 2005 mainly as a result of the effect of the increase in non-recourse purchases.

Interest "due from customers" for "other" includes Euros 14,359 of interest for late payments collected during the year. Compared to the prior year, Euros 1,811 more interest was collected.

In 2005, both interest income and interest charges included Euros 22,014 of compensation paid to the company at the time of the regional settlements and subsequently recharged by the assignee.

In 2006, the structure of these transactions was changed so that the compensation was recognized directly by the assignee.

For purposes of comparison between the two years, such amounts are not included in interest income and interest charges in 2005.

1.3 Composition of caption 20 "Interest expenses and similar charges"
Euros 47,483

Captions/ Technical types	Financing	Securities	Other	Total 2006	Total 2005
1. Due to banks	39,065		1,290	40,358	28,709
2. Due to financial institutions			6,411	6,411	
3. Due to customers	269		446	715	428
4. Securities in issue					
5. Financial liabilities held for trading					
6. Financial liabilities designated at fair value					
7. Other liabilities					
8. Hedging derivatives					
Total	**39,334**		**8,147**	**47,483**	**29,137**

Interest due to banks relates to loans received from the banking system; the increase compared to the prior year is Euros 11,649.

Interest expenses due 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 446 and interest on the loan from the parent company Confarma S.p.A. for Euros 269.

Interest due to financial institutions for Euros 6,411 refers to transactions for sales of receivables to third parties carried out during the year.

Section 2 - Fees and commissions - captions 30 and 40

2.1 Composition of caption 30 "Fee and commission income"
Euros 10,403

	Total 2006	Total 2005
1. finance lease transactions		
2. factoring transactions		
3. consumer credit		
4. merchant banking activities		
5. guarantees provided		
6. services for:		
- funds management on behalf of third parties		
- currency dealing		
- product distribution		
- other		
7. collection and payment services	10,401	10,124
8. servicing for securitization transactions	2	2
9. other fees and commissions (to specify)		
Total	**10,403**	**10,126**

2.2 Composition of caption 40 "Fee and commission charges"
Euros 192

	Total 2006	Total 2005
1. Guarantees received		
2. Distribution of services by third parties		
3. Collection and payment services		
4. Other commissions	192	276
Total	**192**	**276**

Section 3 - Dividends and similar income - caption 50

In 2006 and 2005, there were no amounts recorded in this Section.

Section 4 - Profit (loss) on financial trading activities - caption 60

Euros 1,446

4.1 Composition of caption 60 "Profit (loss) on financial trading activities"

Captions/income components	Gains	Profit on trading	Losses	Losses on trading	Profit (loss)
1. Financial assets					
1.1 Debt securities					
1.2 Equity securities					
1.3 O.I.C.R. quotas					
1.4 Financing					
1.5 Other assets					
2. Financial liabilities					
2.1 Securities in issue					
2.2 Other liabilities					
3. Derivatives	1,446				1,446
Total	**1,446**				**1,446**

Section 5 - Profit (loss) from hedge accounting - caption 70
In 2006 and 2005, there were no amounts recorded in this Section.

Section 6 - Profit (loss) on financial assets designated at fair value - caption 80
In 2006 and 2005, there were no amounts recorded in this Section.

Section 7 - Profit (loss) on financial liabilities designated at fair value - caption 90
In 2006 and 2005, there were no amounts recorded in this Section.

Section 8 - Gain (loss) from disposals or repurchases - caption 100
In 2006 and 2005, there were no amounts recorded in this Section.

Section 9 - Impairment losses/reversals - caption 110
In 2006 and 2005, there were no amounts recorded in this Section.

Section 10 - Administrative expenses - caption 120

10.1 Composition of caption 120. a "Personnel costs"
Euros 5,949

	Total 2006	Total 2005
1. Employees		
a. wages and salaries	3,677	2,896
b. social security charges	1,093	943
c. employee severance indemnity charges		
d. pension charges		
e. termination indemnities charges	222	211
f. other expenses	554	255
2. Other employees		
3 Directors	403	307
Total	**5,949**	**4,612**

10.2 Composition of caption 120. b "Other administrative expenses"
Euros 11,257

	12.31.2006	12.31.2005
Legal fees	1,965	2,400
IT costs	517	477
Outside receivables management services	745	760
Compensation to statutory auditors	68	103
Legal fees for receivables under management	1,408	1,274
Notary fees	370	336
Notary fees to be recovered	174	124
Corporate hospitality and donations	780	795
Maintenance expenses	906	1,244
Non-deductible VAT	1,068	1,062
Other indirect taxes and duties	73	64
Consulting fees	1,671	1,623
Head office operating expenses	413	381
Other expenses	1,099	858
Total other administrative expenses	**11,257**	**11,501**

This caption includes legal and notary fees (Euros 1,582) incurred on behalf of the assignor companies which were fully recovered and included in other operating income.

Section 11 - Net adjustments to property, plant and equipment - caption 130

11.1 Composition of caption 130 “Net adjustments to property, plant and equipment”
Euros 2,191

Captions/adjustments	Depreciation	Impairment losses	Impairment reversals	Net result
1. Property plant and equipment				
1.1 owned				
a. land				
b. buildings	302			302
c. furniture and fixtures	183			183
d. for own use				
e. other	1,706			1,706
1.2 purchased under finance leases				
a. land				
b. buildings				
c. furniture and fixtures				
d. for own use				
e. other				
2. Assets referable to finance leases				
3. Assets held for investment				
of which, granted under operating leases				
Total	**2,191**	**-**	**-**	**2,191**

Section 12 - Net adjustments to intangible assets - caption 140

12.1 Composition of caption 140 “Net adjustments to intangible assets”
Euros 263

Captions/adjustments	Amortization	Impairment losses	Impairment reversals	Net result
1. Goodwill				
2. Other intangible assets				
2.1 owned	263			263
2.2 purchased under finance lease				
3. Assets referable to finance lease				
4. Assets granted under operating leases				
Total	**263**	**-**	**-**	**263**

Section 13 - Net fair value adjustment to property, plant and equipment and intangible assets - caption 150

In 2006 and 2005, there were no amounts recorded in this Section.

Section 14 - Net charges to provisions for risks and charges - caption 160

14.1 Composition of caption 160 "Net charges to provisions for risks and charges"
Euros 854

The charge refers primarily to the accrual for employee benefits such as pension funds.

Section 15 - Other operating expenses - caption 170

15.1 Composition of caption 170 "Other operating expenses"
Euros 662

	12.31.2006	12.31.2005
Prior period items	186	215
Donation of art works	354	1,351
Rounding and rebates	120	154
Other	2	9
Total other operating expenses	**662**	**1,729**

Section 16 - Other operating income - caption 180

Euros 5,079

16.1 Composition of caption 180 "Other operating income"

Recovery of legal fees for purchases of non-recourse receivables	1,626
Recovery of legal fees for credit management of receivables	1,408
Receivables realized at amounts other than the nominal amount	778
Prior period items	153
Assignor notary expenses	174
Other recovered expenses	939
Total	**5,079**

Section 17 - Profit (loss) of investments - caption 190

In 2006 and 2005, there were no amounts recorded in this Section.

Section 18 - Profit (loss) from disposals of investments - caption 200

In 2006 and 2005, there were no amounts recorded in this Section.

Section 19 - Income taxes for the year - caption 210

19.1 Composition of caption 210 "Income taxes for the year"

	2006	2005
1 Current income taxes	11,283	12,657
2 Change in the current income taxes of prior years		
3 Reduction in the current income taxes for the year		
4 Change in deferred tax assets	248	2,474
5 Change in deferred tax liabilities	1,941	1,488
Income taxes for the year	**13,472**	**16,619**

19.2 Reconciliation of theoretical tax and effective tax charge

Component	IRES	IRAP
Taxable income for tax calculations	31,217	38,445
Theoretical tax charge 33% IRES - 5.25% IRAP	**10,301**	**2,018**
Non-deductible permanent differences	3,015	3,000
Temporary differences taxable in future years	(5,917)	
Temporary differences deductible in future years	4,633	3,758
Reversal of temporary differences from previous years	(5,132)	(5,132)
Taxable income	**27,816**	**40,070**
Current income taxes for the year: 33% IRES - 5.25% IRAP	**9,179**	**2,104**

Section 20 - Profit (loss) on discontinued operations - caption 220

In 2006 and 2005, there were no amounts recorded in this Section.

Section 21 - Other information - income statement

21.1 Analytical composition of interest income and fee and commission income

	Interest income			Fee and commission income			Total 2006	Total 2005
Captions/Counterpart	Banks	Financ. instit.	Customers	Banks	Financ. instit.	Customers		
1. Finance leases								
- Investment property								
- Movable property								
- Assets in use								
- Intangible assets								
2. Factoring								
- On current receivables								
- On future receivables								
- On non-recourse receivables purchased			67,192				67,192	61,302
- For other loans	960	17,178				10,402	28,541	24,239
3. Consumer credit								
- Personal loans								
- Specific loans								
- Garnishing of one-fifth								
4. Guarantees and commitments								
- Commercial nature								
- Financial nature								
Total	**960**	**17,178**	**67,192**	**-**	**-**	**10,402**	**95,732**	**85,541**

Interest income from financial institutions is mainly composed of late interest collected during the year for Euros 14,359.

Disclosure on the receivables securitization transaction with FL Finance S.r.l.
(comments in euros)

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, 2006 are as follows:

• non-recourse sale of a pre-established portfolio pursuant to ex Article 1 of Law 130/99 to an ad hoc special-purpose 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 107,086,424. The remaining amount of the receivables at December 31, 2006 is therefore equal to Euros 107,086,424;
• 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. Therefore substantially all the risks and rewards of ownership have been transferred to the assignee;
• the company provides the Bank of Italy with a report written semiannually by Internal Auditing on the progress of the transaction and the activities of the servicer.

Section 1 - Specific references to the company's activities

B - Factoring and sales of receivables

B.1 - Carrying amount

Caption	Total 12.31.2006			Total 12.31.2005		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
1. Performing assets						
- Receivables from assignors						
- Receivables from debtors assigned	1,428,119		1,428,119	1,113,524		1,113,524
2. Impaired assets						
2.1 non-performing						
- Receivables from assignors						
- Receivables from debtors assigned						
2.2 problem						
- Receivables from assignors						
- Receivables from debtors assigned						
2.3 restructured						
- Receivables from assignors						
- Receivables from debtors assigned						
2.4 overdue						
- Receivables from assignors						
- Receivables from debtors assigned						
Total	**1,428,119**	**-**	**1,428,119**	**1,113,524**	**-**	**1,113,524**

B.2 - Classification of advances and consideration by type of transaction

B.2.2 - Consideration

Caption	Total 12.31.2006				Total 12.31.2005			
	Consider. paid	Total exposure			Consider. paid	Total exposure		
		Gross amount	Impairment loss	Net amount		Gross amount	Impairment loss	Net amount
Non-recourse factoring								
1. Performing assets								
2. Impaired assets	1,428,119	1,428,119		1,428,119	1,113,524	1,113,524		1,113,524
2.1 non-performing								
2.2 problem								
2.3 restructured								
2.4 overdue								
Other sales								
1. Performing assets								
- for non-recourse receivables purchased								
2. Impaired assets								
2.1 non-performing								
- for non-recourse receivables purchased								
- for receivables below original amount								
2.2 problem								
- for non-recourse receivables purchased								
- for receivables below original amount								
2.3 restructured								
- for non-recourse receivables purchased								
- for receivables below original amount								
2.4 overdue								
- for non-recourse receivables purchased								
- for receivables below original amount								
Total	1,428,119	1,428,119	-	1,428,119	1,113,524	1,113,524	-	1,113,524

B.3 - Classification of receivables sold

B.3.2 - Non-recourse factoring and other sales

	Banks		Financial institutions		Customers	
	Total 12.31.06	Total 12.31.05	Total 12.31.06	Total 12.31.05	Total 12.31.06	Total 12.31.05
Type						
Non-recourse factoring						
Non-recourse receivables purchased					1,428,119	1,113,524
Receivables below original amount					908	1,622
Total					**1,429,027**	**10,115,146**
Time frame						
Up to 3 months						
From 3 months to 1 year						
From 1 to 5 years						
Beyond 5 years						
Unspecified maturity					1,429,027	1,115,146
Total					**1,429,027**	**1,115,146**

B.5 - Other information

B.5.1. - Turnover of receivables sold

(in millions of euros)

	Total 12.31.2006	Total 12.31.2005
1. For with recourse factoring		
2. For non-recourse factoring and other sales		
- Non-recourse factoring		
- Non-recourse receivables purchased	2,159	1,752
- Receivables below original amount		
Total	**2,159**	**1,752**

B.5.2. - Collection services only

Receivables referring to credit collection services only taken on in 2006 amount to Euros 1,704 million.

B.5.3. - Original amount of receivables purchased "below the original amount"
Euros 908

The original amount of receivables purchased "below the original amount" total Euros 4,926 thousand.

B.5.5. - Non-recourse receivables for factoring with risk mitigation clauses

	Original amount of non-recourse receivables for factoring		Original amount of non-recourse receivables for factoring with risk mitigation clauses	
		of which: recognized in the financial statements		of which: recognized in the financial statements
	1,428,119	1,428,119		
Total	**1,428,119**	**1,428,119**		

Section 3 - information on risks and relative risk hedging policies

SECTION 3.1 - CREDIT RISK

QUALITATIVE DISCLOSURE

1. General aspects

Factoring activities, governed by the Italian Civil Code (Book IV - Heading V, articles 1260-1267) and by Law 52 of February 21, 1992 and subsequent articles, consist of a plurality of financial services arranged in various ways through the sale of recourse and non-recourse trade receivables.

A particular characteristic of factoring transactions is the involvement of three different parties:

- Factor (assignee)
- Customer (assignor)
- Debtor (assigned)

2. Credit risk management policies

2.1. Organizational aspects

In view of the above considerations, the assessment of a factoring transaction must be conducted through the analysis of a multiplicity of factors: the degree of the fragmentation of risk, the characteristics of the underlying trade transaction, the reimbursement capability of the customer assignor and the solvency of the debtors assigned.

The monitoring and management of credit risk starts with a preliminary background check for credit lines, before a factoring service is offered. The various corporate functions work together and cooperate with meticulous synergy in order to provide an analytical and subjective assessment of the counterpart, both from a quantitative standpoint (current economic and financial situation, in the past and prospectively) and from a qualitative point of view (level of management, competitiveness, prospects of the product, potential credit volumes to be managed).

The guidelines and the procedures for monitoring and controlling credit risk are contained in the Credit Regulation in effect, issued by the board of directors on February 23, 2004.

2.2. Management, measurement and control systems

The "Credit Regulation" describes how the company must conduct the credit process according to the stages of the process which the law of the sector has identified:

- background check
- decision
- disbursement
- monitoring and review
- dispute

In order to identify the main risk factors, the principal activities carried out by the company are described as follows:

- Receivables management only
- Non-recourse factoring

Under "receivables management only", the credit risk is very moderate because the company's exposure is limited to the payment of the agreed fees and commissions by the customer or the reimbursement of legal fees incurred on its behalf.

The granting of a credit line for "receivables management only" follows the normal procedures used in the credit process even if the credit line can be decided by a body that is not a collegiate body.

"Non-recourse factoring" by its very nature represents the service that is most exposed to credit risk.

For this reason, the background check for the credit line is conducted with the utmost attention and the decision-making power (except for small amounts) is reserved for the collegiate bodies.

Credit risk management, therefore, besides following internal corporate procedures must also abide by external laws (Bank of Italy Circular 216/96) with regard to concentrations of risk. These laws establish that the maximum limit of exposure of each debtor or assignor globally may not exceed the individual limits of "large risks" indicated by the Bank of Italy:

- the total amount of "large risks" must be within eight times the regulatory capital (global limit)
- each risk position with individual debtors (assignors) or groups must be within the limit of 40% of regulatory capital

In view of the fact that Farmafactoring has an exposure that is almost completely composed of receivables due from the public administration, with a weighted risk of 20%, the portfolio risk is to be considered moderate.

In addition to what was stated above, the company, by law (Bank of Italy Circular 139/91), must file a monthly report with notifications to the interbank Risk Office. The purpose of the emanation by the Bank of Italy is to protect the financial intermediaries receiving and providing information on the change in the financial debt of the debtor over time and on the agreed/utilization ratio (which expresses the financial commitment of the company and the debt margins which it has with the system).

Impairment of receivables

The receivables of the company are considered "performing" and consequently the company has carried out a collective assessment of the probability of the uncollectibility of the portfolio.

The collective and analytical assessment was conducted by assigning a "rating" to the debtors (ASLs / AOs) corresponding to the credit rating for the particular Region given by the three major international rating agencies (Moody's, S&P's and Fitch), thus obtaining a "probability of default".

Afterwards, in order to determine the loss given default (LGD), the company assumed the value proposed by the Basel Accord for credits not covered by real guarantees with sovereign states, companies and banks, equal to 45% of the "probability of default" (PD) found.
This analysis was performed on the receivables portfolio at December 31, 2005 and December 31, 2006 and did not indicate any significant potential losses such as to require a "collective impairment loss" of the receivables.

2.3. Risk mitigation techniques
In order to render non-recourse receivables purchased compatible with the recognition principle, the risk mitigation clauses which could have in some way invalidated the effective transfer of risks and rewards have been eliminated from the relative contracts.

2.4. Impaired financial assets
The company does not have "impaired assets".
In particular, non-recourse receivables purchased are considered performing and thus classified as "performing receivables".
"Performing receivables" also include receivables from the public administration overdue more than 180 days for which there are no objective elements indicating a loss at a "collective" level of the portfolio based upon a series of historical or internal statistics.
This representation is consistent with the method of measuring non-recourse receivables purchased at amortized cost which is in fact based on discounting estimated future cash flows.

QUANTITATIVE DISCLOSURE

1. Financial assets analyzed by portfolio and credit quality (carrying amount)

Types/exposure and amounts	Non-performing	Problem assets	Restructured assets	Overdue assets	Other assets	Total
1. Financial assets held for trading					1,058	1,058
2. Financial assets designated at fair value						
3. Available-for-sale financial assets					27	27
4. Financial assets held to maturity						
5. Due from banks					82,843	82,843
6. Due from financial institutions					32,721	32,721
7. Due from customers					1,437,161	1,437,161
8. Other assets						
9. Hedging derivatives						
Total 12.31.2006					**1,553,810**	**1,553,810**
Total 12.31.2005					**1,339,309**	**1,339,309**

2. Exposure with customers

2.1. Exposure: gross and net amounts

Type/exposure and amounts	Gross exposure	Specific impairment loss	Portfolio impairment loss	Net exposure
A. Impaired assets				
1 Non-performing				
- Financing				
- Securities				
- Guarantees				
- Commitments to grant financing				
- Other assets				
2 Problem assets				
- Financing				
- Securities				
- Guarantees				
- Commitments to grant financing				
- Other assets				
3 Restructured assets				
- Financing				
- Securities				
- Guarantees				
- Commitments to grant financing				
- Other assets				
4 Overdue assets				
- Financing				
- Securities				
- Guarantees				
- Commitments to grant financing				
- Other assets				
Total A				
B. Performing				
- Financing				
- Securities				
- Guarantees				
- Commitments to grant financing				
- Other assets	1,437,161			1,437,161
Total B	1,437,161			1,437,161
Total (A+B)	**1,437,161**			**1,437,161**

3. Concentration of receivables

In view of the fact that Farmafactoring has an exposure that is almost completely composed of receivables due from the public administration, with a weighted risk of 20%, at December 31, 2006 there are no "large risks", that is individual positions which exceed 40% of regulatory capital.

SECTION 3.2 - MARKET RISK

3.2.1. Interest rate risk

QUALITATIVE DISCLOSURE

1. General aspects

The interest rate risk is represented by changes in the level of volatility of market interest rates such as to produce negative effects on the income statement of the company.
The investments of the company, represented by non-recourse receivables purchased, are at fixed rates whereas the funding is generally at floating rates.
The exposure is given by the amount of financing subject to this risk.

QUANTITATIVE DISCLOSURE

2. Interest rate risk measurement and management models and other methods

The company, in accordance with the Regulatory Instructions of the Bank of Italy (Circular 216/96, 6th update) wrote a Treasury and Finance Regulation which fully regulates the roles and responsibilities as regards governance and financial risk management. This document especially attributes:

• to the board of directors of the company, the task of approving the strategic guidelines, the policies and operational limits for risk management, assigning the appropriate mandates for their management and monitoring them under the governance policy.

• to senior management, the responsibility for defining the organizational, functional and control solutions needed to implement what has been proposed by the board of directors.

• to the financial function, the responsibility for ensuring that the funding rate can always be correlated to the investment rate, securing fixed-rate financing or by putting into place transactions with derivative instruments for hedging purposes.
The amount of hedging derivative instruments, as a consequence, is decided for non-recourse purchases by considering: the exposure of receivables purchased, the purchases in progress, the fixed rate implicit in the commission and the flows of exposure correlated so as to achieve a matching of the hedged amount (rate on the outstanding balance) and the rate contracted on the balance of derivative transactions.

At December 31, 2006, the balance of hedging transactions is equal to Euros 248 million.
Contracts in place:

Type of transaction	Underlying Interest rates and debt securities			Residual life
	Notional amount	Fair value at 12.31.2006		
		Positive	Negative	
Convertible swaps	50,000,000	173,969.14		901
Irs	98,000,000	377,624.94		694
Irs step-ups	45,000,000	433,167.30		731
Collars	55,000,000	73,025.56		385
Total	**248,000,000**	**1,057,787**	**0**	

Hedging strategies
Hedging strategies follow the trend of forward rates. In 2006, this trend was not only characterized by both actual increases and expected increases by the ECB but also by the expectations of an increase conveyed by the market
Although the fundamental trend continued to point towards an increase in rates, only in the first quarter of 2007 did the interest rate curve begin to stabilize.
At December 31, 2006, the fair value of hedging instruments was positive for an amount of Euros 1,057,787, given the interest rate curve. The amount is higher than the prior year since rates increased in 2006, especially in the second half, and there was a higher volatility of the implicit rates.

3.2.2. Price risk

QUALITATIVE DISCLOSURE

1. General aspects
Il rischio di prezzo, inteso come eventualità di subire perdite nell'ambito dell'attività di negoziazione di valori mobiliari, non è presente in Società, in quanto l'attività svolta non prevede il "trading" sul mercato. Gli impieghi sono rappresentati da crediti autoliquidanti o per cassa, destinati al soddisfacimento delle esigenze di funding, che normalmente permangono in bilancio fino alla naturale scadenza. Le operazioni in strumenti derivati vengono poste in essere con esclusiva finalità di copertura (dal rischio tasso di interesse) e gli strumenti all'uopo utilizzati sono contratti Irs e Collars.

QUANTITATIVE DISCLOSURE

2. Price risk measurement and management models and other methods
In accordance with what was stated above, the limited exposure to risk does not require the use of control instruments other than those used for ordinary business operations.

3.2.3 Exchange rate risk

QUALITATIVE DISCLOSURE

1. General aspects
Exchange rate risk is represented by the exposure to fluctuations in exchange rates, taking into account both the positions in foreign currency and those that provide for indexation clauses linked to the trend in the exchange rates of a specific currency. The company's asset portfolio is entirely expressed in euros, accordingly, the risk connected with the volatility of foreign currencies is to be considered non-existent.

QUANTITATIVE DISCLOSURE

2. Exchange rate risk measurement and management models and other methods
The Treasury and Finance Regulation in effect establishes that when foreign currency transactions arise, during the course of a year, they must be hedged by an equivalent amount which may not exceed Euros 10 thousand.

SECTION 3.3 - OPERATIONAL RISK

The company has taken note of the importance of operational risks and uses the Basel 2 definition. In particular, with regard to the four examples of operational risk (human resource risk, organizational/processes risk, technology/systems risk and external events risks), the company has adopted the following measures:

- organizational control with definitive responsibilities
- operational procedures for each process with an indication of first-level controls
- institution of an Organization function
- insurance policies to cover risks from exogenous events
- logistics and physical security policies.

Control over operational risk is also part of the activities of the internal control organizational unit aimed at ensuring the adequacy of the internal control system and also, for those operational risks which are relevant under Legislative Decree 231, part of the checks carried out by the Regulatory Body on 231 Compliance.

Appendix to the notes "Other information"

Reconciliation of equity at January 1, 2005

In accordance with IFRS 1 - IG 63, the reconciliations of equity at the date of transition to IFRS (January 1, 2005) and the last year (2005) presented in accordance with the previous accounting principles are provided as follows:

(in thousands of euros)

		Prior accounting principles 12.31.2004	Effect of transition to IFRS	IFRS at 1.1.2005
10	Cash and cash equivalents	15		**15**
20	Financial assets held for trading	0	125	**125**
40	Available-for-sale financial assets	27		**27**
60	Receivables due from customers	1,296,172	(4,534)	**1,291,638**
100	Property, plant and equipment	12,195	4,307	**16,502**
110	Intangible assets	1,785		**1,785**
120	Tax assets	18,246		**18,246**
	a) current	10,244		**10,244**
	b) deferred	8,002		**8,002**
140	Other assets	1,127		**1,127**
	Total assets	**1,329,566**	**(102)**	**1,329,464**
	Credit risk provision	21,513	(21,513)	**0**
	General financial risk provision	7,387	(7,387)	**0**
10	Payables	1,132,351		**1,132,351**
20	Securities in issue	33,517		**33,517**
30	Financial liabilities held for trading	0	606	**606**
70	Tax liabilities	18,223		**25,829**
	a) current	18,223		**18,223**
	b) deferred	0	7,606	**7,606**
90	Other liabilities	39,714		**39,714**
100	Employee severance indemnities	868	59	**927**
110	Provisions for risks and charges	638	980	**1,618**
	Total liabilities	**1,254,212**	**(19,649)**	**1,234,563**
120	Share capital	55,000		**55,000**
160	Reserves	4,743		**4,743**
170	FTA valuation reserves	0	19,547	**19,547**
180	*Profit for the year*	15,610		**15,610**
	Total equity	**75,354**	**19,547**	**94,901**
	Total Liabilities and Equity	**1,329,566**	**(102)**	**1,329,464**

Deferred tax liabilities at January 1, 2005

(in thousands of euros)

Deferred tax liabilities	
Adjustment of non-recourse receivables purchased	(1,734)
Negative FV derivatives adjustment	(232)
Employee severance indemnities revaluation	(20)
Positive FV derivatives adjustment	48
Reclassification of credit risk provision	8,219
Deferred employee benefits	(323)
Building revaluation	1,648
Increase in deferred tax liabilities	**7,606**

Details of the FTA valuation reserves at January 1, 2005

(in thousands of euros)

Adjustment of non-recourse receivables purchased	(2,800)
Negative FV derivatives adjustment	(374)
Employee severance indemnities revaluation	(40)
Positive FV derivatives adjustment	77
Reclassification of general financial risk provision	7,387
Reclassification of credit risk provision	13,294
Building revaluation	2,660
Deferred employee benefits	(657)
FTA valuation reserves	**19,547**

Reconciliation of profit for the year 2005

(in thousands of euros)

	Previous accounting principles Profit 2005	IAS adjustments 2005	Profit 2005
Interest income	95,568	1,860	97,428
Interest expenses	(51,150)		(51,150)
Net commission income	9,850		9,850
Net result from trading	0	93	93
Administrative expenses	(15,902)		(15,902)
Adjustments to tangible and intangible assets	(2,419)	136	(2,283)
Employee severance indemnities	(188)	(23)	(211)
Accrual to provision for credit risk	(5,000)	5,000	0
Net charges to provisions for risks and charges	(217)	(188)	(405)
Other income/expenses	3,610		3,610
Income taxes	(14,416)	(2,203)	(16,619)
Profit for the year	**19,736**	**4,675**	**24,411**

The above tables refer to the description of the transition to IAS/IFRS in the report on operations.

Section 4 - Related party transactions

This section is described in the Report on operations under "Transactions with the parent and other related parties".

Section 5 - Other disclosure

Information relating to the average number of staff by category is detailed in the "Report on Operations" under the comment on administrative expenses.

Statutory Auditors' report

Statutory Auditors' Report on the financial statements at December 31, 2006

Dear Shareholders,

As indicated by the directors, the ordinary shareholders' meeting held on December 19, 2006 elected a new board of directors and a new board of statutory auditors as a result of the major change in the shareholder base of the company.

The board of statutory auditors is writing this report in accordance with art. 2429 of the Italian Civil Code in that the company, by resolution of the ordinary shareholders' meeting of April 28, 2006, has charged PricewaterhouseCoopers S.p.A., recorded in the register of the Ministry as set forth in art. 2409 bis of the Italian Civil Code, with the accounting control of the company.

Our work on control activities pursuant to art. 2403 of the Italian Civil Code during the course of the year ended December 31, 2006 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 provisions of art. 2403 of the Italian Civil Code, the board would like to inform you of the following:

- the board took part in the process for the transition to IAS/IFRS (First-time adoption) which has been described in detail by the directors. We would particularly like to mention the new concepts which had an effect on the calculation of the regulatory capital which, as a result of the application of the new accounting standards, has decreased;

- the board proceeded with the customary exchange of information with the firm charged with accounting control pursuant to art. 2409 septies of the Italian Civil Code, and, in particular, examined the issues surrounding the first-time adoption of IFRS;

- the board also confirms that as a result of the supervisory and control activities carried out there were no significant facts that emerged such as to be reported or mentioned in this report;

- the board did not issue opinions during the year pursuant to the law;

- during the year ended December 31, 2006, the board has performed the ordinary activities of supervision required by law, according to the standards issued by the professional bodies and the Regulatory Authority;

- the board has monitored the development of internal control and risk management activities for the year 2006 and controlled the contents of such activities;

- the board 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;

- the board acquired information about and controlled the adequacy of the organizational structure of the company and 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.

In addition to the normal accounting control activities, we would like to inform you that PricewaterhouseCoopers S.p.A. has also been charged, during the year, with assisting the company in the transition to IAS/IFRS for a fee of Euros 49,000.

The condensed balance sheet and income statement are presented as follows:

Balance sheet

Assets		1,595,346,841
Liabilities and equity		1,462,154,556
Share capital	80,000,000	
Legal reserve	5,794,124	
Other reserves	27,464,497	
		113,258,621
Profit 2006		19,933,664
Liabilities and equity		1,595,346,841

Income statement

Other revenues and income	102,257,745
Costs	82,324,081
Profit 2006	19,933,664
	102,257,745

The board confirms that there have been no departures pursuant to art. 2423 of the Italian Civil Code by the directors in the preparation of the financial statements.

Accordingly, the board has no reasons to oppose the approval of the financial statements at December 31, 2006 and expresses a favorable opinion on the motion for the appropriation of profit proposed by the board of directors.

Milan, April 6, 2007

The Auditors

Francesco Tabone

Luca Simone Fontanesi

Giancarlo Rizzani

Dalla collezione Farmafactoring

Enrico Baj
PERSONAGGIO ALLO SPECCHIO, 1971
Collage di specchi su broccato, 50x60 cm

Independent Auditors' report

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 2409-TER OF CIVIL CODE

To the Shareholders of
Farmafactoring SpA

1 We have audited the financial statements of Farmafactoring SpA, which comprise the balance sheet, income statement, cash flow statement, statement of changes in shareholders' equity and the related notes as of 31 December 2006. These financial statements are the responsibility of Farmafactoring SpA's Directors. Our responsibility is to express an opinion on these financial statements based on our audit. The aforementioned financial statements have been prepared for the first time in accordance with the International Financial Reporting Standards as adopted by the European Union.

2 We conducted our audit in accordance with the auditing standards. In accordance with those standards and criteria, the audit has been planned and performed to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are reliable. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present the prior year corresponding figures prepared in accordance with the same accounting principles. Furthermore, note "The adoption of the new accounting international principles IAS/IFRS" explains the effects of the transition to IFRS as adopted by the European Union. The information presented in note "The adoption of the new accounting international principles IAS / IFRS" has been examined by us to provide a basis for our opinion on the consolidated financial statement at 31 December 2006.

3 In our opinion, the financial statements of Farmafactoring SpA as of 31 December 2006 comply with IFRS as adopted by the European Union; accordingly, they give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and cash flows of Farmafactoring SpA for the year then ended.

Milan, 6 April 2007

PricewaterhouseCoopers SpA

Signed by

Marco Palumbo
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation. References in this report to the Financial Statement refer to the Financial Statement in original Italian and not to their translation.

Resolutions passed by the ordinary and extraordinary Shareholders' meetings

The ordinary shareholders' meeting, which met in first call on April 23, 2007, approved the financial statements for the year ended December 31, 2006 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 19,933,664 as follows:

- to the legal reserve, Euros 996,683;
- to dividends, Euros 6.90 for each of the 1,600,000 shares outstanding for a total of Euros 11,040,000;
- to retained earnings, the remaining amount of Euros 7,896,981.

Finally, the special shareholders' meeting held on the same date, approved a bonus share capital increase from Euros 80,000,000 to Euros 85,000,000, with the consequent amendment to art. 5 of the bylaws.

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Stampa: Arti Grafiche Baratelli

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