FARMAFACTORING SPA

Bilancio 2007 | Annual Report

In copertina
Dalla collezione Fondazione Farmafactoring
Giuseppe Maraniello
Particolare di "Montagne, 2005"
Bronzo e oro in foglia, 20x540x30 cm

Annual Report 2007
23rd 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, 2008 at 3.00 P.M., and, should it prove necessary, in second call, on April 25, 2008 same time and 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, 2007, the Board of Directors' Report on Operations and the Board of Statutory Auditors' Report; respective and pertinent resolutions;

2. Any other resolutions, pursuant to art. 2364 of the Italian Civil Code.

Extraordinary business

1. Share capital increase from Euros 85,000,000 to Euros 90,000,000, in the form of a bonus issue, by drawing from retained earnings; respective and pertinent resolutions;

2. Consequent change in art. 5 of the bylaws.

Milan, March 21, 2008

On behalf of the Board of Directors
The Chairman
Marco Rabuffi

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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 Tomasina Patrizia Paleologo Oriundi

Independent Auditors

PricewaterhouseCoopers S.p.A.

Report on operations

FARMAFACTORING S.P.A.

Dalla collezione Fondazione Farmafactoring

Hsiao Chin
Senza titolo, 2003
Terracotta,
altezza 68 cm, diametro 32 cm

General Economic Overview

To the Shareholders,
The introduction to this report offers a few observations on the general economic scenario in the world and in Italy.

The International Economic Scenario

During 2007, the world economy experienced a moderate slowdown, with differences varying from one geographical area to another. Growth was good in Asia while economic deceleration was reported in the United States and Europe.
According to estimates by ISAE, in 2007, global GDP was 0.5% lower than in 2006 (4.6% compared to 5.1% in the prior year).
An examination of the performance in the world's leading economic areas highlights the crisis in the United States where, in the last quarter of 2007, growth slowed to 0.6% with annual GDP growth at 2.2% and lower than the 2.9% reported in 2006. This is the worst performance in recent years.
The decline in the performance of the U.S. economy was influenced mainly by the negative spiral sparked off by subprime mortgage loans and the crisis in the real estate market.
Another factor contributing to this difficult moment in the American economy is the rise in inflation above the 2% Federal Reserve tolerance level, principally the result of the pressure caused by the high cost of oil which is now consistently above $100 a barrel.
This crisis led to changes in the U.S. monetary policy. In 2007, the Federal Reserve injected enormous quantities of liquidity into the market and reduced interest rates and then reduced them again in the first quarter of 2008 bringing the cost of money to 3%.
The Fed cut rates by 2.25% between September 2007 and February 2008, highlighting greater concern about the risk of a recession than the trend of prices.

The interest rate reduction policy adopted by the Federal Reserve was not imitated by the European Central Bank. The fact that the cost of money is 4% shows that, despite a period of limited growth, the European Union intends to keep inflationary tendencies under control, with an expected increase in prices in 2008 of about 2.5%.
The different economic policies adopted by the ECB and the Federal Reserve influenced the increase in value of the euro against the U.S. dollar.
According to figures by Eurostat, GDP in the Eurozone grew by 0.4% in the last quarter of 2007.
On an annual basis, GDP increased by 2.7%, slightly less than in 2006, when a growth of 2.8% was reported; the growth forecast for 2008 is 1.8%.
In the Eurozone, the countries which reported a lower growth include France, Italy, and Spain, whereas higher growth was reported by smaller countries such as Austria and Holland.

The Italian Economy in 2007 and Forecasts for 2008

The recovery of the Italian economy which began in 2006 continued at a moderate pace in 2007 but was hampered by persisting difficulties on the internal political scene and geopolitical instability on the international front. This placed Italy in the position of one of the countries with lowest GDP in the European Union.
According to estimates by the Bank of Italy, during the first half of 2007, the Italian economy went forward propelled by the expansion phase begun in the prior year, albeit at a slower pace, with GDP at 1.7% on an annual basis.
In 2008, the phase of limited growth begun in the second half of 2007 is expected to continue, with estimated GDP on an annual basis at 0.7%, marked by a contraction of both consumption and investments.
However, the Bank of Italy highlights an improvement in the level of public finances. In fact, both the deficit and the debt level should fall below the estimates announced by the government at the end of September to, respectively, 2.4% and 105%, whereas inflationary tensions are again on the rise.
In this regard, in 2008, inflation is expected to reach 2.5%, a figure already exceeded in December 2007 when 2.6% inflation was reported, the highest since 2003. The greatest increases were noted in energy products, transportation and food.
Industrial production again reported a lull with a downward change also posted at the start of 2008.
Despite the fact that the constant increase in value of the euro against the U.S. dollar tends to make Italian products less competitive abroad, the trend of national exports remained favorable, thanks especially to the positive economic cycle of countries such as Russia, China, the OPEC countries, Latin America and Eastern Europe.

The National Health System in Italy in 2007 and Forecasts for 2008

In 2007, total expenditures for the public healthcare sector amounted to Euros 102.4 billion, exceeding the initial budget of Euros 97 billion allocated to the National Health Fund by Euros 5 billion.
The accounts of the ASLs (Local Health Service Agencies) and the AOs (Hospital Companies were better than the forecasts announced in the last quarter of 2007: the rise in healthcare expenditures was 0.8% compared to the annual increase of 6.3% in the period 2001-2006. As a percentage of GDP this represents 6.7% whereas, in 2006, it was 6.9%.

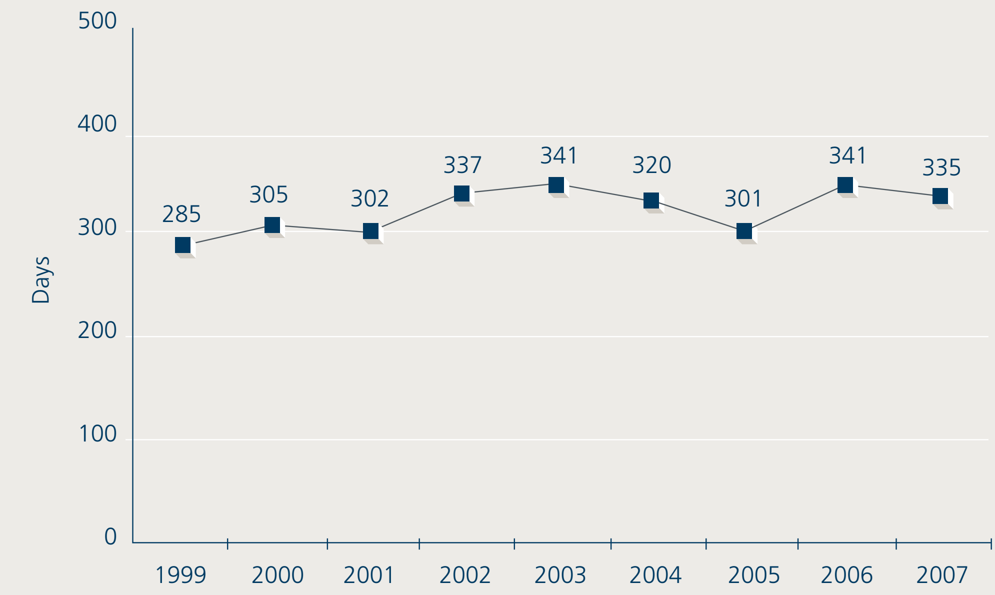
The 2008 Budget Law, in terms of healthcare, has set aside Euros 101 billion as the amount of funds to be allocated to the National Health Fund.
Furthermore, funding of another Euros 23 billion was provided to modernize existing healthcare facilities, build new hospitals and territorial services, update medical technologies, make existing structures safer and build residential healthcare structures for the elderly.
With regard to the temporary fund for the Regions in financial difficulty, set up by the 2007 Budget Law, the amount relating to the year 2008 is equal to Euros 850 million.
The fixed treatment charge, equal to Euros 10, paid by those patients who are not exempted from paying the charge for specialist outpatient services has again been abolished for the year 2008.
As a result, funding for the National Health Service normally provided by the State has been increased by Euros 834 million.
In order to fully implement the reorganization of healthcare in the penitentiaries, pursuant to Legislative Decree 230 dated June 22, 1999 and subsequent changes thereto, within three months of the approval of Italian Law 244 dated 24/12/2007 (the 2008 Budget Law), a special decree of the President of the Council of Ministers will have to establish:

1. the transfer to the National Health Service of all the healthcare functions run by the Department of Penitentiary Administration and the Department of Justice for Minors of the Ministry of Justice;
2. the methods and procedures for transferring existing employment contracts to the National Health Service;
3. the transfer to the National Health Fund, for the subsequent division of the financial resources among the regions and the independent provinces of Trento and Bolzano. For 2008, these resources should amount to Euros 157.8 million (Euros 147.8 million to come from the Ministry of Justice and Euros 10 million from the Ministry of Health);
4. the transfer of the equipment, furnishings and capital goods associated with the healthcare activities of the two departments.

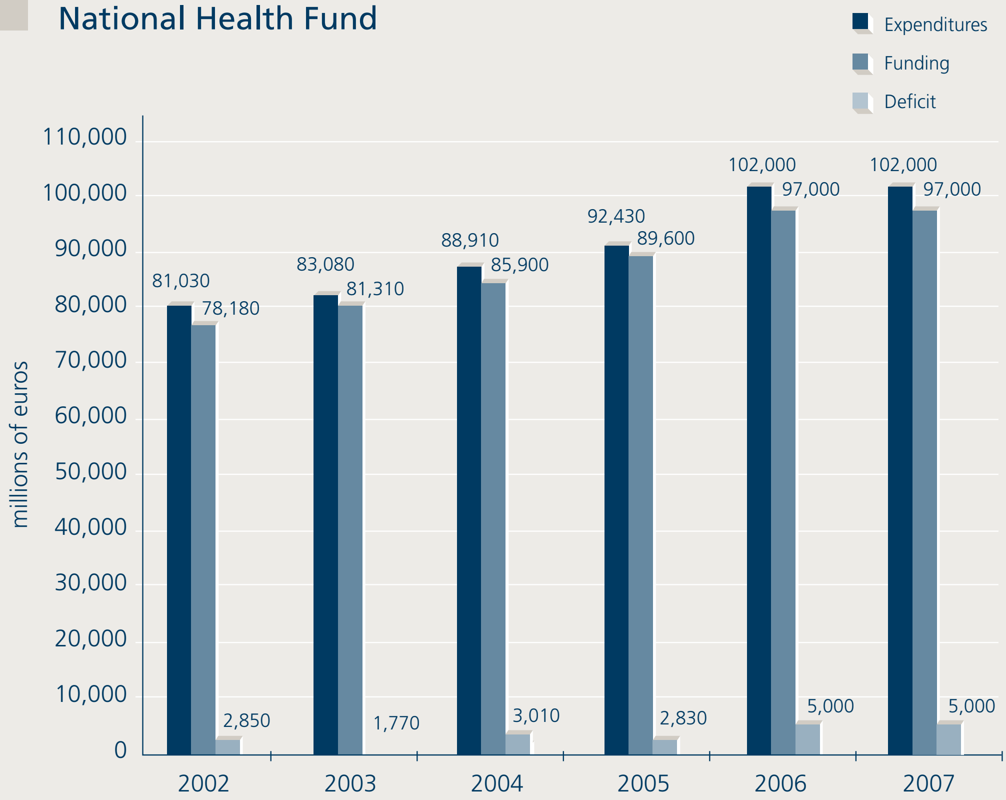
The government crisis and early elections will result in a postponement of a part of the public health expenditures, in that the payments will be frozen, including the Euros 9.1 billion to be reimbursed to the Regions that are in the red with the ASLs and AOs.
Included among those Regions is the Lazio Region which is always at risk of coming under the administration of an external commissioner.
Furthermore, it should also be noted that the allocation of funds to the National Health Fund has been 'technically' approved, but the final approval by the State and the Regions has yet to be obtained, especially because of the problems associated with the Lazio Region.

A final note concerns the average payment times which, in 2007, were approximately 335 days.

Average Days to Payment



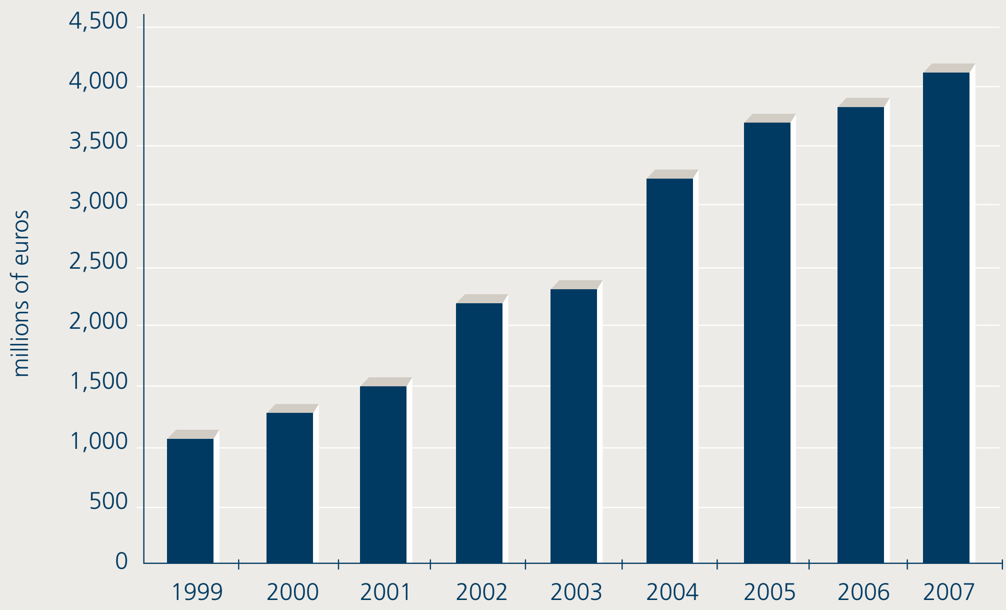
National Health Fund



Main Business Indicators in 2007 compared to 2006

Receivables assigned for collection management in 2007 amount to Euros 4,247 million compared to Euros 3,863 million in 2006, with an increase of 10%.

Receivables received for Management



Purchases of non-recourse receivables total Euros 2,309 million compared to Euros 2,159 million in 2006.
For a better analysis of non-recourse receivables purchased, a comparison should also be made between volumes in 2006 and 2007 in terms of regional settlement agreements and ordinary purchases.
A comparative breakdown of non-recourse purchases shows the following distribution:

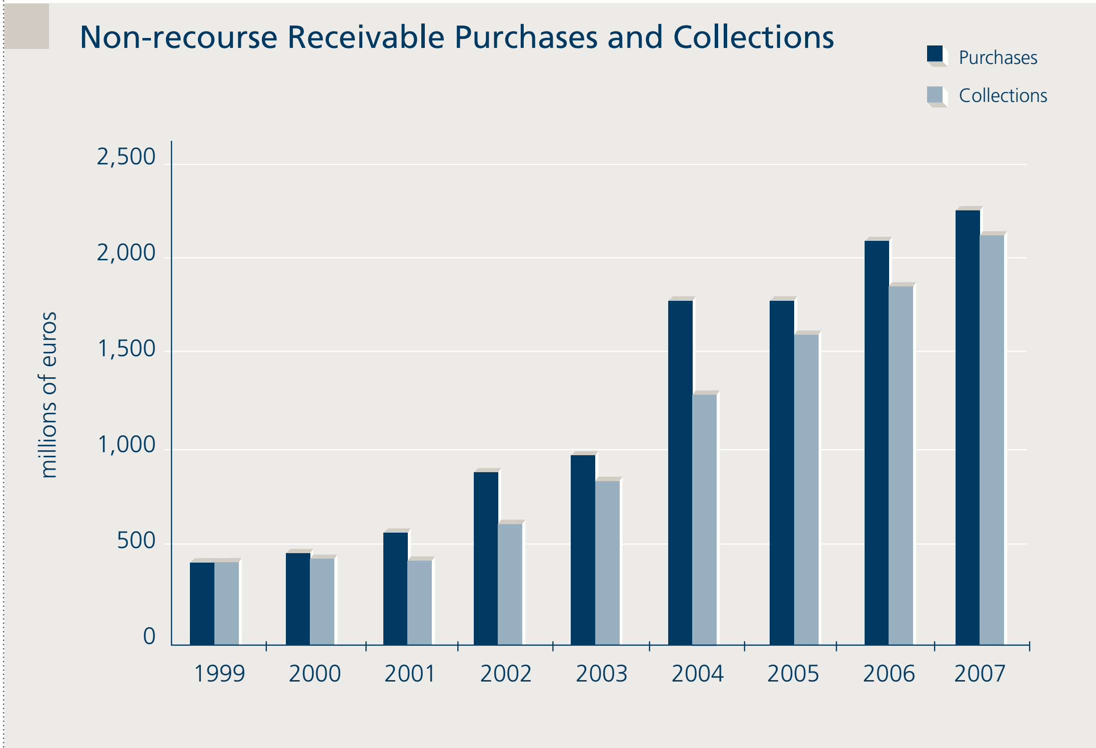
(in millions of euros)

	12.31.2006	12.31.2007
Non-recourse purchases, ordinary	1,943	2,219
Non-recourse purchases, by regional agreement	216	90
Total non-recourse purchases	**2,159**	**2,309**

The analysis indicates that non-recourse ordinary purchases increased by 14% compared to the prior year.
In 2007, the company continued to sell receivables to the vehicle company, Justine Capital S.r.l., which began in 2006.

It should recalled that these sales refer to receivables from debtors previously defined as "blocked" in that the collection times are particularly lengthy.

This activity calls for the purchase of such receivables and their subsequent sale to a vehicle company, named Justine Capital S.r.l., established under Law 130/99.
After the sale, Justine Capital S.r.l. issues notes which are mainly placed with the Dresdner Bank, London Branch. In 2007, the receivables sold with these types of transactions totaled Euros 155 million.
During 2007, ASL and AO receivables of the Lazio Region for Euros 134 million were also sold to Justine Capital S.r.l. in order to dispose of assets with uncertain collection times.
The following bar chart presents a summary of non-recourse purchases during the year and relative collections.



Total collections went from Euros 3,427 million in 2006 to Euros 4,144 million in 2007, increasing 20% over the prior year.
Collections relating to non-recourse receivables purchased went from Euros 1,906 million in 2006 to Euros 2,201 million in 2007. The 15% increase is due to higher volumes of receivables purchased and collections as a result of regional settlement agreements.

These settlement transactions made it possible for the company to reduce the collection times for receivables due from the ASLs and the AOs with a high average number of days to payment.
During 2007, three agreements were reached at a regional level with Sicily, Campania and Tuscany.
The Regions, with the objective of rationalizing the investment of public resources destined for healthcare 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.
As for the agreements with the Sicily Region and the Campania Region, the company later sold the portfolios from these transactions, respectively, to the companies Trinacria Healthcare S.r.l. and So.Re.Sa S.p.A.

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

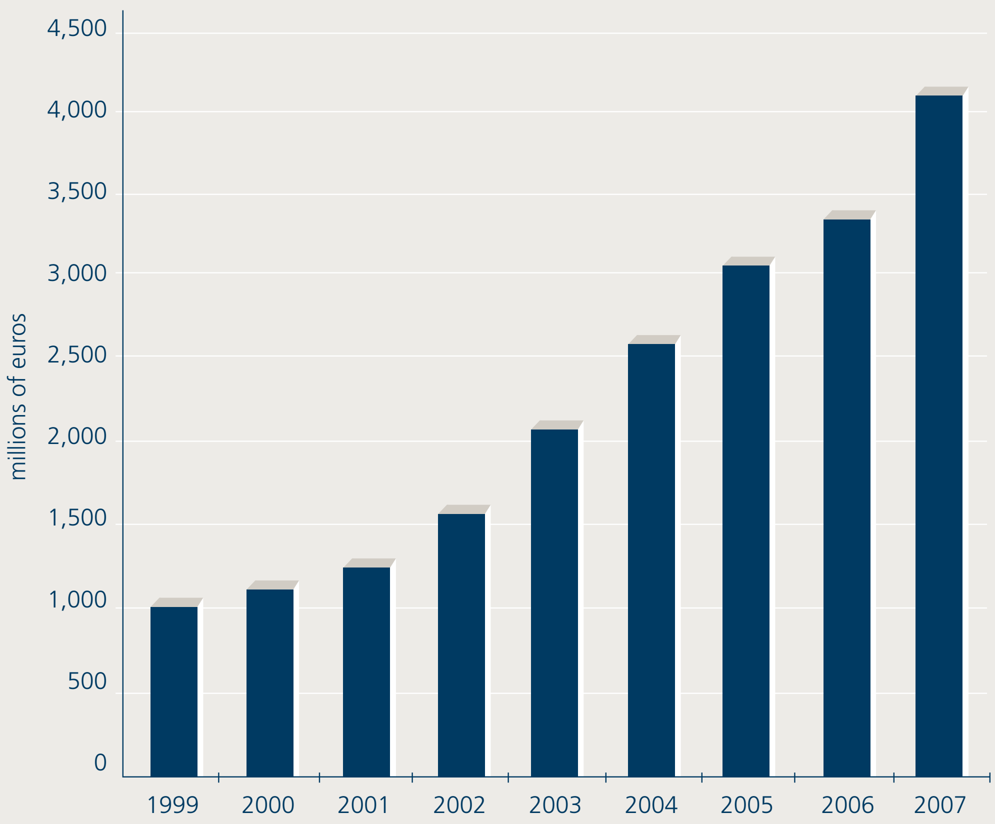
(in millions of euros)

Regional Agreement	Amounts sold
Sicily	126
Campania	90
Total sales of receivables	**216**

The agreement with the Tuscany Region, instead, was concluded with the payment of Euros 209 million by the Region in May 2007.

The bar chart below shows the trend in total collections in recent years:

Collections



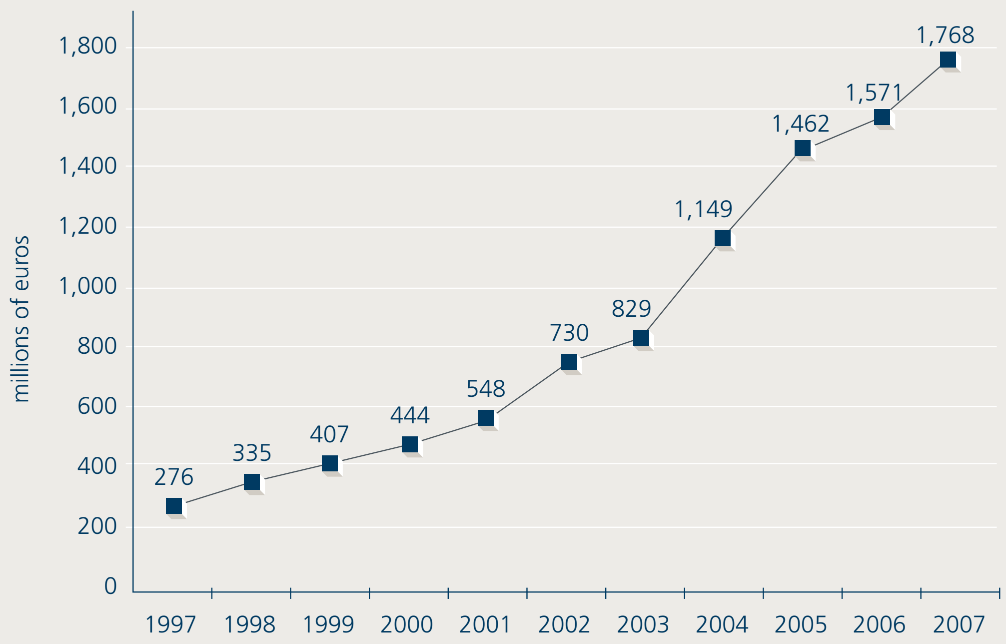
Credit lines to finance accounts receivable purchases increased by 12.5% over the previous year and total Euros 1,768 million.

Among the financing transactions concluded during 2007 are the following:

• a loan secured from a syndicate of banks with the lead bank, MCC/Capitalia, as the Arranger and Agent, for a total amount of Euros 195 million divided into two tranches. The first tranch for Euros 58.5 million is a 12-month Term Loan which can be extended for 24 months and a 36-month Revolving Facility for Euros 136.5 million;

• a loan secured from a syndicate of banks organized by IntesaSanPaolo, Banca Antonveneta, Bayerische Landesbank and The Royal Bank of Scotland for a total amount of Euros 187 million. The loan is made up of two tranches of Euros 93.5 million each: an 18-month Term Loan and a 36-month Revolving Facility with a Repayment plan starting from the 24th month;
• bilateral financing was also arranged for a term of 18 months with Istituti di Credito Ordinari for a total of Euros 40 million.

Bank Credit Lines From 1997 to 2007



Internal Control

In conformity with Bank of Italy regulations regarding Internal Control, the company has an Internal Auditing function for the purposes of both monitoring corporate risks strictly in connection with the disbursement of credit and complying with laws, regulations and procedures.

During 2007, on the basis of the existing Audit Plan, tests were carried out with regard to the following laws: privacy, safety in the workplace, transparency and also usury and securitization.
At the conclusion 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.

In view of the recent Basel 2 regulations set out in Bank of Italy Circular 216 dealing with "prudential supervision", the company set up a Risk Committee aimed, in its consulting capacity, at monitoring the trend and management of all the risk profiles assumed by the company and keeping the capital requirements constantly under control in relation to the activities conducted by the company.
With a view to further strengthening the internal control system, pursuant to Legislative Decree 231/2001, the board of directors approved the Governance Document which describes the governance model adopted by the company. This document provides for:
• a protocol for regulating the decisions of the board of directors in relation to transactions in which the directors have interests in the company's transactions, in accordance with art. 2391 of the Italian Civil Code "Interests of Directors" and with the Code of Ethics adopted by the company;
• a protocol for entry into new sectors and/or introduction of new products aimed at regulating the manner and the procedures for the entry into new sectors or the introduction of new products and formalizing the role of company management in this process in accordance with the powers conferred by the board of directors;
• a protocol on the management of relationships with third parties which is aimed at regulating the procedures for requesting documentation and managing relationships.

In 2007, the company has continued to assess and revise its organizational, management and control tools to meet the requirements of Legislative Decree 231/2001, 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 activities carried out with regard to monitoring and updating the organizational, management and control Model pursuant to Legislative Decree 231/2001.

Business Developments

In 2007, investments were made in the Information Technology sector for the development of new projects and hardware to ensure the availability, continuity, performance and security of the 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 dated June 30, 2003 and international standards ISO/IEC 17799:2000 and ISO/IEC 27001:2005).

In particular, the following main projects were executed:

• implementation of software systems for the management of continuing relations, guarantees and customer and supplier lists for the Tax Revenues Office;
• start-up of the new CRM software system for the sales function and business development;
• creation of the new institutional company website and new software functions for interactive services on the internet website;
• creation of a new software system for the management of the model linking the budget and financial planning in the medium term;
• revision of the software used for managing regional settlement transactions to update it to the needs originating from new settlement transactions put into place by Farmafactoring with 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 dated June 30, 2003 (concerning the Code for the protection of personal data) and the relative Attachment B (Technical Regulations with regard to minimum security measures).

Transactions with the Parent and Related Parties

Starting from 2007, FF Holding S.p.A. (as the parent) and Farmafactoring S.p.A. (as the subsidiary), after jointly opting to be to be taxed as a group, will calculate the taxable profit on a consolidated basis pursuant to article 117 and subsequent articles of DPR 917 dated December 22, 1986.
The consolidated tax option exercised by FF Holding S.p.A. and Farmafactoring S.p.A. ended the pre-existing tax consolidation in which Confarma S.p.A. had the role of parent.
The merger of Confarma S.p.A. in and with Farmafactoring S.p.A. was finalized in July 2007. This merger is effective for accounting and tax purposes beginning January 1, 2007 and has the purpose of shortening FF Holding S.p.A.'s control chain, combining the decisional processes and achieving administrative and corporate savings.
The inverse merger of Confarma S.p.A. in and with Farmafactoring S.p.A. made it possible to simplify administrative requirements by keeping, with the operating company Farmafactoring, all the authorizations to conduct operations, relations with employees, the credit institutions, customers and third parties in general.

Furthermore, the company also has factoring arrangements and the mandate for the management and collection of receivables with shareholder companies at normal market conditions.

Additional information of related party transactions is presented in Part D, Section 4 of the notes.

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 services supplied to the public administration in general.
With regard to the objectives of the new shareholder base, it is expected that the company can step up its policy to further increase and develop its business operations even outside the national territory.

Accounting Principles

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.
The company first-time adopted IFRS for the preparation of the financial statements for the year ended December 31, 2006.

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);
• the 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;
• the reclassification of the credit risk provision and the general financial risk provision to reserves under equity.

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.

Disclosure regarding the Bank of Italy regulation on "Prudential Supervision"
Beginning January 1, 2008, the financial intermediaries registered in the special list referred to in art. 107 TUB must comply with the new regulation on "Prudential Supervision" set out in the 7th update of Circular 216 issued by the Bank of Italy in July 2007.
The new regulation is based upon three pillars: the first introduces a capital requirement to meet the risks typical of financial assets; the second requires intermediaries to adopt a strategy and a process to control capital adequacy, current and future, deferring the task of verifying the reliability and consistency of the relative results to the Regulatory Authority, and to implement, where the situation requires it, the opportune corrective measures; the third introduces the obligation of public disclosure regarding capital adequacy, exposure to risks and the general characteristics of the relative operating and control systems.

First pillar: with regard to the calculation of credit risk, the company will apply the standardized approach which associates a specific risk weight determined in relation to the type of counterpart and the rating assigned by a specialized agency (ECAI) to every position exposed to credit risk.
Considering the company's particular business, the exposure with entities of the national health system will remain at 20% as specified in a Bank of Italy communication dated February 8, 2008.
With regard to operational risk, the standardized method will be applied which calls for the application of a regulated fixed percentage (15%) to the average of net interest and total banking income of the last three years.

Second pillar: in order to comply with the prudential control process, the company must start the Internal Capital Adequacy Assessment Process (ICAAP).
On the basis of Bank of Italy regulations, the stages of the ICAAP process to be undertaken are the following: analysis of the corporate areas involved, risks to be measured (the risks of the first and second pillars, together with additional risk factors connected with operations), application of the calculation methods allowed for the various types of risk and calculation of the capital requirements indicating any gaps in governance, control systems, organizations, policies and procedures.

Third pillar: with regard to the obligation of disclosure to the public, not less than once a year, the company should publish a series of information on its website regarding capital adequacy, exposure to risks and the general characteristics of the systems used to identify, measure and manage risks.

Reclassified Balance Sheet

(in thousands of euros)

	12.31.2007	12.31.2006	Change
Assets			
Cash and cash equivalents	14	12	2
Financial assets held for trading	1,376	1,058	318
Available-for-sale financial assets	27	27	0
Receivables	1,572,386	1,552,726	19,660
Property, plant and equipment	16,653	17,240	(587)
Intangible assets	630	415	215
Tax assets	20,563	20,407	156
Other assets	2,619	3,462	(843)
Total assets	**1,614,268**	**1,595,347**	**18,921**
Liabilities and equity			
Payables	1,412,924	1,405,492	7,432
Securities issued	7,900	16,700	(8,800)
Financial liabilities held for trading	6	-	6
Tax liabilities	26,912	24,788	2,124
Other liabilities	16,232	11,849	4,383
Employee severance indemnities	867	1,092	(225)
Provisions for risks and charges	3,164	2,233	931
Equity	122,152	113,259	8,893
Profit for the year	24,111	19,934	4,177
Total liabilities and equity	**1,614,268**	**1,595,347**	**18,921**

Reclassified Income Statement

(in thousands of euros)

	12.31.2007	12.31.2006	Change
Interest and similar income	111,522	85,330	26,192
Interest and similar charges	(59,579)	(47,483)	(12,096)
Net interest income	**51,943**	**37,847**	**14,096**
Net fee and commission income	11,699	10,210	1,489
Profit (loss) on trading	312	1,446	(1,134)
Total operating income	**63,954**	**49,503**	**14,451**
Impairment losses on receivables	(5,610)	0	(5,610)
Administrative expenses	(17,966)	(17,207)	(759)
Adjustments to property, plant and equipment and intangible assets	(2,122)	(2,454)	332
Net charges to provisions for risks and charges	(1,633)	(854)	(779)
Other operating income/expenses	2,412	4,418	(2,006)
Net operating income	**39,035**	**33,406**	**5,629**
Income taxes	(14,924)	(13,472)	(1,452)
Profit for the year	**24,111**	**19,934**	**4,177**

Comments on the Reclassified Balance Sheet

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

Financial assets and liabilities held for trading

Financial assets held for trading refer to derivative financial instruments used to hedge fluctuations in market interest rates compared to the fixed rate implicit in 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 1,370 thousand at December 31, 2007 compared to Euros 1,058 thousand at December 31, 2006. The increase of Euros 312 thousand is recorded in the income statement in "Profit (loss) on trading".

Receivables

(in thousands of euros)

	12.31.2007	12.31.2006	% Change
Due from banks	54,840	82,843	-33.80%
Due from financial institutions	1	32,721	-100.00%
Due from customers	1,517,545	1,437,162	5.59%
	1,572,386	**1,552,726**	**1.27%**

Due from banks mainly refers to current bank account balances which the company has with banks at December 31, 2007.

Due from financial institutions at December 31, 2006 included Euros 32 million of receivables sold to the vehicle company Justine Capital S.r.l. and collected in 2007.

The details of due from customers are the following:

(in thousands of euros)

	12.31.2007	12.31.2006	% Change
Loans account with assignors	4,584	4,820	-4.90%
With recourse advances	2,626	0	100.00%
Fees and commissions due from assignors	1,598	1,289	23.97%
Non-recourse receivables purchased	1,504,709	1,428,119	5.36%
Receivables acquired below nominal amount	1,815	908	99.89%
Advances for legal fees	2,206	2,010	9.75%
Debtors for interest on late payments	7	15	-53.33%
	1,517,545	**1,437,162**	**5.59%**

Non-recourse receivables purchased increased by approximately 5%. These receivables are measured at amortized cost based on the present value of estimated future cash flows.

Credit quality

The company performed an impairment test on the receivables portfolio in order to identify any impairments of its financial assets.
This analysis made it possible to distinguish between "performing" and "non-performing" receivables and included financial assets with a risk of loss in the "non-performing" category, while the remaining financial assets are considered "performing".

Performing Receivables

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 at an "individual" or 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 that requires a estimate of the time to collection.
In accordance with IAS 39, a "collective" assessment was carried out on "performing" receivables.
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 from sovereign states, companies and banks, equal to 45% of the "probability of default" (PD) found.
The collective assessment of the "probability of default" (PD) was performed by assigning a "rating" to the debtors (ASL / AO), corresponding to the credit rating for the particular Region to which the debtors belong, given by the three major international rating agencies (Moody's, S&P and Fitch).

This analysis was performed on the receivables portfolio at December 31, 2005, December 31, 2006 and December 31, 2007 and did not indicate any significant losses such as to require a "collective impairment loss" of the receivables.

Non-performing receivables

In accordance with IAS 39 and for purposes of an "analytical assessment", the company reviewed the financial assets classified in receivables in order to identify the individual positions which present an objective impairment.

As a result of this analysis, non-performing assets include only one position from the assignor Enterprise Digital Architects which was declared bankrupt by the Rome Courts on October 22, 2007.

On January 21, 2008, the company filed a petition to be admitted as a creditor in the bankruptcy for Euros 7,597,715, including the receivables due directly from Enterprise Digital Architects and also non-recourse receivables purchased, for which there are disputes over supplying on the part of the assigned debtors.

On the basis of internal assessments and a legal opinion, the estimated loss amounts to about Euros 5.6 million and the impairment loss has been deducted directly from the receivables shown in the financial statements.

The following table presents the "analytical impairment loss" which is deducted directly from receivables expressed at amortized cost.

(in thousands of euros)

	Gross amount 12.31.2007	Impairment loss	Net amount 12.31.2007
Receivable from Enterprise	602	(602)	0
Receivables from assigned debtors	6,711	(5,008)	1,703
	7,313	**(5,610)**	**1,703**

Property, plant and equipment

(in thousands of euros)

Description of property, plant and equipment, net	12.31.06	Net increases	Net decreases	12.31.07
Buildings	9,474	0	(302)	9,172
Land	3,685	0	0	3,685
Extraordinary building maintenance	2,082	449	(889)	1,642
Plant	882	171	(245)	808
Furniture and fixtures	495	38	(113)	420
Electronic machines	209	556	(194)	571
Other property, plant and equipment	413	3	(60)	355
	17,240	**1,217**	**(1,803)**	**16,653**

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.

The increase in "Extraordinary building maintenance" refers mainly to renovation work to the outside areas and remodeling of inside spaces for office use.

Additions to electronic machines largely refer to hardware purchases.

Payables

(in thousands of euros)

	12.31.2007	12.31.2006	% Change
Due to banks	1,378,976	1,369,350	0.70%
Due to customers	33,948	36,142	-6.07%
	1,412,924	**1,405,492**	**0.53%**

Due to banks refers to loans obtained from the banking system. The change from last year is mainly due to the increase in transactions for the purchase of non-recourse receivables.
At December 31, 2006, the amount due to customers included the loan payable to Confarma S.p.A. for Euros 10 million which was extinguished in 2007.

Provisions for risks and charges

Provisions for risks and charges amount to Euros 3,164 thousand and include Euros 2,562 thousand for pension funds and similar obligations and Euros 602 thousand for "other provisions".

a) Pension funds and similar obligations

(in thousands of euros)

	12.31.06	Increases	Decreases	12.31.07
Long-term employee benefits	2,041	1,222	(701)	2,562

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 shows a profit for the year of Euros 24 million, after taxes, and is approximately Euros 4 million higher than the profit reported in 2006.
Comments on the most important captions of the income statement are reported below.

Net interest income

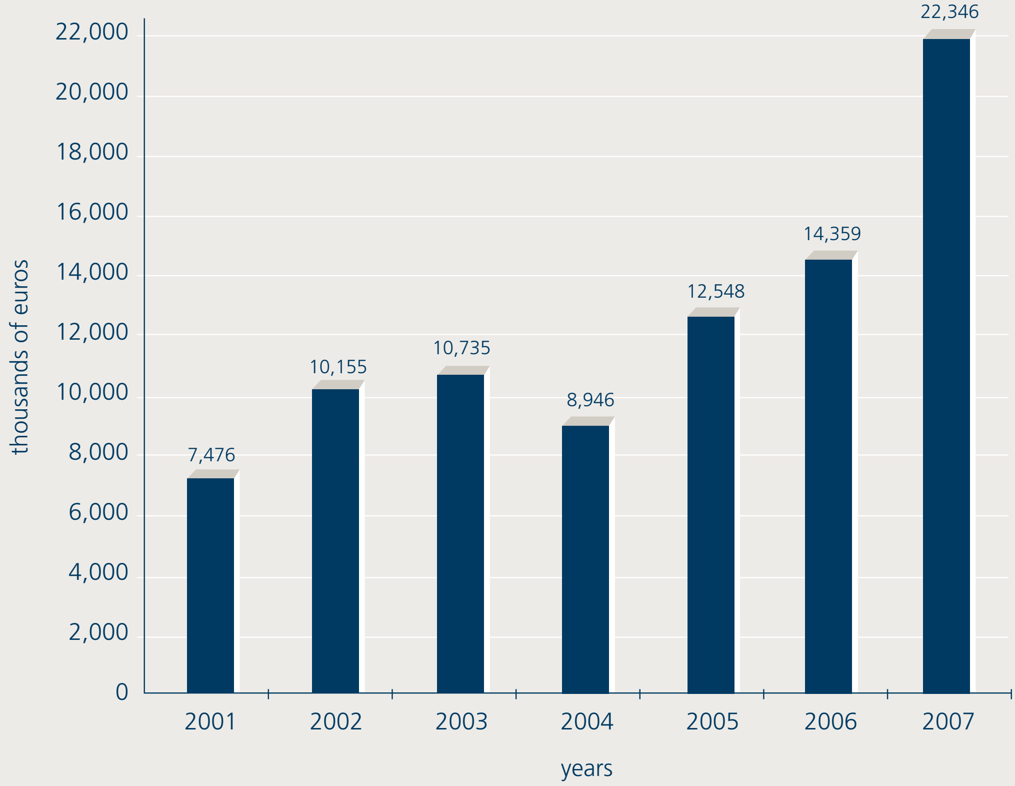
(in thousands of euros)

	12.31.2006	12.31.2006	Change	% Change
Maturity commissions	81,957	67,192	14,765	21.97%
Interest on late payments	22,346	14,358	7,988	55.62%
Other interest	7,219	3,780	3,439	90.98%
Total interest income	*111,522*	*85,330*	*26,192*	*30.69%*
Interest expenses	*(59,579)*	*(47,483)*	*(12,096)*	*25.47%*
Net interest income	**51,943**	**37,847**	**14,096**	**37.24%**

The recognition of "maturity commissions" in the income statement reflects the effective return from the application of the amortized cost method to measure non-recourse receivables purchased, in accordance with IAS 39, where the income connected with such purchases is recognized in relation to the returns from the estimated cash flows.
Maturity commissions increased by approximately Euros 15 million in 2007 compared to 2006, mainly as a result of the effect of higher non-recourse receivables purchased.

Interest on late payments is calculated on non-recourse receivables purchased in the amount established by existing laws. At December 31, 2007, interest on late payments earned on those non-recourse receivables amount to approximately Euros 240 million, of which Euros 99 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 2007 amounts to Euros 22 million, with an increase of 56% compared to the prior year.

Interest collected on late payments



Interest expenses rose by approximately Euros 12 million in 2007 compared to 2006 mainly as a result of an increase in the cost of money.

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)

	12.31.2007	12.31.2006	Change	% Change
Operating fee and commission income	12,164	10,403	1,761	16.93%
Commission charges	(465)	(193)	(272)	140.93%
Net fee and commission income	**11,699**	**10,210**	**1,489**	**14.58%**

The increase in operating fee and commission income is due to both higher volumes purchased and collections.

Profit (loss) on trading

"Profit (loss) on trading" is connected with the recognition of the fair value of derivatives, which amounts to Euros 1,370 thousand at December 31, 2007, with a positive impact on the income statement of Euros 312 thousand.

Reconciliation of changes in derivative instruments

Financial assets held for trading	Carrying amount	Change
Amount at 12.31.2006	1,058	
Amount at 12.31.2007	1,376	318
Financial liabilities held for trading		
Amount at 12/31/2006	0	
Amount at 12/31/2007	6	(6)
Profit (loss) on trading		**312**

Impairment losses on receivables

The amount of Euros 5,610 thousand refers to the impairment loss relating to the Enterprise Digital Architects bankruptcy.

Administrative expenses

Details of administrative expenses are as follows:

(in thousands of euros)

	12.31.2007	12.31.2006	Change	% Change
Personnel costs	6,518	5,949	569	9.56%
Other administrative expenses	11,448	11,258	190	1.69%
Total administrative expenses	**17,966**	**17,207**	**759**	**4.41%**

Personnel costs increased compared to the prior year mainly as a result of an increase in the number of employees in connection with the growth of business.
The following table shows the number of employees at the end of 2007 compared to prior years:

Category	2002	2003	2004	2005	2006	2007
Managers	2	2	3	3	3	3
Management staff	11	12	12	12	14	17
Other staff	33	37	40	43	47	50
Total	**46**	**51**	**55**	**58**	**64**	**70**

As a result of the continual increase in volumes over the last few years, in 2007, 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.

Income taxes

Income taxes for the year amount to Euros 14,924 thousand.
As a result of the reduction in the IRES and IRAP tax rates introduced by the Budget Law for 2008, deferred tax assets and liabilities have been adjusted using the new tax rates.
The reduction in the tax rates produced a net positive effect on profit of approximately Euros 1 million which, in accordance with IAS 12, was entirely recognized in the income statement resulting in a lower income tax charge for the year.

Information on the Company's Objectives and Policies regarding the Assumption, Management and Hedging of Risks

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

Other Information required by art. 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 the end of the year, apart from those that have already been mentioned.

Motion to appropriate Profit

To the shareholders,
The financial statements for the year ended December 31, 2007 show a profit of Euros 24,111,037 and a motion is put forward for the appropriation of profit as follows:

	(in euros)
Profit	**24,111,037**
- 5% to the legal reserve	1,205,552
	22,905,485
To the shareholders: Euros 8.83 for each of the 1,700,000 shares	15,011,000
To retained earnings	**7,894,485**

After the appropriation of profit, the Legal reserve will total Euros 7,996,359 and Retained earnings will amount to Euros 13,944,683.
The special shareholders' meeting is also called to vote on the bonus increase in share capital from Euros 85,000,000 to Euros 90,000,000 drawn from "Retained earnings" for Euros 5,000,000 and the simultaneous issue of new shares.
After this increase, "Retained earnings" will be reduced to Euros 8,944,683.

On behalf of the Board of Directors
The Chairman
Marco Rabuffi

Shareholders' resolutions passed by the ordinary and special Shareholders' meeting

The ordinary shareholders' meeting, which met in first call on April 23, 2008, approved the financial statements for the year ended December 31, 2007, and appropriated the profit for the year of Euros 24,111,037 as follows:

- to the legal reserve, Euros 1,205,552
- to dividends, Euros 9.00 for each of the 1,700,000 shares outstanding for a total of Euros 15,300,000
- to retained earnings, the remaining amount of Euros 7,605,485

The special shareholders' meeting approved a bonus share capital increase from Euros 85,000,000 to Euros 90,100,000 by a partial withdrawal from retained earnings, changing the par value from Euros 50.00 to Euros 53.00.

Financial statements at December 31, 2007

Balance sheet

(in euros)

	Assets	12.31.2007	12.31.2006
10	Cash and cash equivalents	13,701	11,834
20	Financial assets held for trading	1,376,094	1,057,787
40	Available-for sale financial assets	26,887	26,887
60	Receivables	1,572,385,997	1,552,726,056
100	Property, plant and equipment	16,653,345	17,240,326
110	Intangible assets	629,744	415,051
120	Tax assets	20,563,100	20,406,834
	a) current	*14,490,259*	*12,818,017*
	b) deferred	*6,072,841*	*7,588,817*
140	Other assets	2,619,473	3,462,066
	Total Assets	**1,614,268,341**	**1,595,346,841**

(in euros)

	Liabilities and Equity	12.31.2007	12.31.2006
10	Payables	1,412,923,301	1,405,492,741
20	Securities issued	7,900,000	16,700,000
30	Financial liabilities held for trading	5,709	0
70	Tax liabilities	26,911,509	24,788,269
	a) current	*15,412,790*	*11,445,733*
	b) deferred	*11,498,719*	*13,342,536*
90	Other liabilities	16,232,321	11,849,269
100	Employee severance indemnities	867,722	1,091,623
110	Provisions for risks and charges	3,164,436	2,232,653
	a) pension funds and similar obligations	*2,562,470*	*2,040,832*
	b) other provisions	*601,966*	*191,821*
120	Share capital	85,000,000	80,000,000
160	Reserves	12,929,330	9,035,646
170	Valuation reserves	24,222,976	24,222,976
180	Profit for the year	24,111,037	19,933,664
	Total Liabilities and Equity	**1,614,268,341**	**1,595,346,841**

Income statement

(in euros)

	Costs	12.31.2007	12.31.2006
10	Interest and similar income	111,521,664	85,330,462
20	Interest and similar charges	(59,578,554)	(47,483,484)
	Interest margin	**51,943,110**	**37,846,978**
30	Fee and commission income	12,165,282	10,402,837
40	Fee and commission charges	(465,484)	(192,322)
	Net fee and commission income	**11,699,798**	**10,210,515**
60	Profit (loss) on trading	312,597	1,445,748
	Net interest and other banking income	**63,955,505**	**49,503,241**
110	Impairment losses/reversals on:		
	a) receivables	*(5,610,368)*	*0*
120	Administrative expenses		
	a) personnel costs	*(6,518,981)*	*(5,949,315)*
	b) other administrative expenses	*(11,447,496)*	*(11,257,389)*
130	Net adjustment to property, plant and equipment	(1,803,730)	(2,190,800)
140	Net adjustment to intangible assets	(318,269)	(262,870)
160	Net charges to provisions for risks and charges	(1,632,860)	(853,917)
170	Other operating expenses	(160,724)	(661,597)
180	Other operating income	2,572,166	5,078,698
	Net operating income	**39,035,243**	**33,406,051**
	Pre-tax operating profit	**39,035,243**	**33,406,051**
210	Income taxes for the year	(14,924,206)	(13,472,387)
	Profit for the year after income taxes	*24,111,037*	*19,933,664*
	Profit for the year	**24,111,037**	**19,933,664**

Statement of changes in equity

For the year ended December 31, 2006

(in thousands of euros)

				Appropriation prior year profit		Change in equity during the year						
	Opening balance 12.31.2005	Adjust. to opening balance	Opening balance 1.1.2006	Reserves	Dividends and other appropr.	Change in reserves	New share issue	Purchase of treasury shares	Payment of extraord. dividends	Extraord. change in share capital	Profit	Equity 12.31.2006
Share capital	65,000		65,000				15,000					80,000
Share premium												-
Reserves												-
a) retained 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 instruments												-
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**

For the year ended December 31, 2007

(in thousands of euros)

				Appropriation prior year profit		Change in equity during the year						
	Opening balance 12.31.2006	Adjust. to opening balance	Opening balance 1.1.2007	Reserves	Dividends and other appropr.	Change in reserves	New share issue	Purchase of treasury	Payment of extraord. dividends	Extraord. change in share capital	Profit	Equity 12.31.2007
Share capital	80,000		80,000				5,000					85,000
Share premium												-
Reserves												-
a) retained earnings	3,153		3,153	7,897			(5,000)					6,050
b) other	5,882		5,882	997								6,879
Valuation reserves	24,222		24,222									24,222
Equity instruments												-
Treasury shares												-
Profit	19,934		19,934	(8,894)	(11,040)						24,111	24,111
Equity	**133,191**	**-**	**133,191**	**-**	**(11,040)**		**-**				**24,111**	**146,262**

Statement of Cash Flow

(in euros)

	12.31.2007	12.31.2006
Operating Activities		
1. Operations	**33,473,837**	**23,645,341**
profit for the year	24,111,037	19,933,664
gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit or loss	-	-
gains/losses on hedging activities	-	-
impairment losses/reversals of receivables	5,610,368	-
impairment losses/reversals on property, plant and equipment and intangible assets	2,121,999	2,453,670
net charge to provisions and other costs/revenues	707,882	601,780
unpaid indirect taxes and duties	922,551	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	**24,902,291**	**209,984,001**
financial assets held for trading	318,307	1,032,494
financial assets designated at fair value through profit or loss	-	-
available-for-sale financial assets	-	-
due from banks: on demand	(28,003,347)	(104,668,336)
due from banks: other	-	-
due from customers	85,993,764	316,399,787
other assets	(33,406,433)	(2,779,944)
3. Cash Flows from/used by Financial Liabilities	**4,220,031**	**191,495,133**
due to banks: on demand	9,625,763	274,417,868
due to banks: other	-	-
due to customers	(2,195,202)	(61,375,493)
securities issued	(8,800,000)	(21,100,000)
financial liabilities held for trading	5,709	(413,254)
financial liabilities designated at fair value through profit or loss	-	-
other liabilities	5,583,761	(33,988)
Net Cash Flows from/used in Operating Activities	**12,791,577**	**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	**(1,749,710)**	**(2,126,264)**
purchase of investments	-	-
purchase of financial asset held to maturity	-	-
purchase of property, plant and equipment	(1,216,748)	(1,851,552)
purchase of intangible assets	(532,962)	(274,712)
Net Cash Flows from/used in Investing Activities	**(1,749,710)**	**(2,126,264)**
Financing Activities		
sale/purchase of treasury shares	-	-
share capital increase	-	-
dividends paid and other	(11,040,000)	(3,029,000)
Net Cash Flows from/used in Financing Activities	**(11,040,000)**	**(3,029,000)**
Net increase in Cash and Cash equivalents	**1,867**	**1,209**

Riconciliation

(in euros)

	12.31.2007	12.31.2006
Cash and cash equivalents at beginning of year	11,834	10,805
Net increase in cash and cash equivalents during the year	1,867	1,209
Cash and cash equivalents at end of year	13,701	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 standards
The financial statements have been prepared in accordance with the international accounting standards IAS/IFRS issued by the IASB, endorsed by the European Commission, as established in EC Regulation 1606 dated July 19, 2002 which deals with the coming into force of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as well as the relative interpretations (IFRIC) endorsed by the European Commission and in effect at the balance sheet date.
IFRS have been applied by complying with the systematic framework for the preparation and the presentation of the financial statements with particular reference to the fundamental principle of substance over form and the concept of relevance or significance of the information.
The financial statements have been prepared according to the formats and rules contained in the instructions set forth in the regulation issued by the Governor of the Bank of Italy on February 14, 2006 and relative transitory provisions.

Section 2 - Basis of presentation
The financial statements include the balance sheet, the income statement, the statement of changes in equity and the statement of cash flows, the notes to the financial statements and the report on operations.
The financial statements agree with the accounting records of the company.
In conformity with art. 5, paragraph 2 of Legislative Decree 38 dated February 28, 2005, the financial statements are expressed in euros which is the functional currency.

The notes are prepared in thousands of euros and present comparative figures for the prior year.
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.

Accounting principles
In accordance with IAS 1.108 and the regulation issued by the Bank of Italy on February 14, 2006, the most important accounting principles are described as follows:

• **Financial assets/liabilities held for trading.** The financial instruments hedging exposure to interest rate risks included in this caption are measured at fair value.
• **Receivables.** Non-recourse receivables purchased are measured at amortized cost whereas other receivables are stated at their nominal amount.

• **Property, plant and equipment and intangible assets.** These assets are stated at cost.
• **Other receivables and other payables.** These are stated at their nominal amount.

Section 3 - Subsequent events
There have been no events or facts since the balance sheet date such as to require an adjustment to the results of the financial statements for the year ended December 31, 2007.

Section 4 - Other aspects

Use of estimates and assumptions in the preparation of the financial statements
The preparation of the financial statements requires the use of estimates and assumptions that may have a significant effect on the carrying amounts in the balance sheet and income statement and on the disclosure relating to the reported amounts of contingent assets and liabilities in the financial statements. These estimates imply the use of available information and the adoption of subjective judgments based also upon historical experience in order to formulate reasonable assumptions for the recognition of operating events. The resulting accounting estimates and assumptions, by nature, may vary from one year to the next and, hence, the actual results recorded in the financial statements may differ significantly owing to changes in the subjective judgments utilized.
The areas which more often than not require the use of judgment on the part of management are the following:
• measurement of impairment losses on receivables and, in general, other financial assets;
• fair value estimation of financial instruments to be used for disclosure purposes;
• use of estimation models for determining the fair value of financial instruments not listed on active markets;
• measurement of employee benefit obligations and funds for risks and charges;
• estimates and assumptions on the recoverability of deferred tax assets.
The description of the accounting policies adopted for the main aggregates of the financial statements discloses the information needed to identify the major assumptions and subjective judgments used in the preparation of the financial statements.
For additional detailed information on the breakdown and the relative amounts recognized in captions where estimates are used, reference should be made to the specific sections of the notes.

Accounting control
The shareholders' meeting held on April 28, 2006 appointed PricewaterhouseCoopers S.p.A. for the accounting control of 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 and the criteria for recognition, classification, measurement and derecognition.

A.2.1. Financial assets held for trading

Recognition criteria
Derivatives are initially recognized at the trade date at fair value.

Classification criteria
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 criteria
Financial assets held for trading are adjusted to the relative fair value.
If the fair value of a financial asset becomes negative, it is recorded as a financial liability.
Since these instruments are not listed on an active market, the fair value is determined by using estimation methods and valuation models which take into account all the risk factors related to the instruments and are based on data obtained on the market where available.

Derecognition criteria
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.

Available-for-sale financial assets

Recognition and classification criteria
These are 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 through profit or loss.
Monetary market securities, other debt instruments and equity securities may be classified as available-for sale financial assets which can be sold, for any reason, such as liquidity requirements or changes in interest rates, in exchange rates or in the prices of equity securities.
The investment in Nomisma S.p.A. is recognized on this line since it is not subject to a “significant influence”.

Measurement criteria
Available-for-sale financial assets (except for investments in equity instruments that are not listed on active markets, the fair value of which cannot be determined reliably, which are kept at cost) are measured at fair value.
The investment in Nomisma S.p.A. is accounted for at cost and tested for impairment.

Derecognition criteria
The investment is derecognized at the time of sale.

A.2.3. Receivables

Recognition criteria
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 criteria
Non-recourse receivables purchased subsequent to initial recognition are measured at amortized cost determined by discounting estimated future cash flows.

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 at an "individual" or 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 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.

Non-performing receivables
In accordance with IAS 39, the company carried out an "analytical assessment" of its receivables to identify any impairment of individual positions.
These receivables are measured at estimated realizable value by recognizing in the income statement any impairment losses determined on an individual basis which take into account cash flows and estimated collection times and any impairment reversals.

The impairment loss is reversed and the receivable is reinstated to its original carrying amount when the reasons for the impairment no longer exist.

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

Derecognition criteria
Receivables are eliminated when they are considered unrecoverable.

A.2.4. Property, plant and equipment

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

Measurement criteria
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 criteria
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 criteria
Intangible assets are recorded at cost, adjusted by any additional expenses, only if it is probable that the assets will generate future economic benefits and if the cost of the assets can be determined reliably. If not, the cost of intangible assets is recognized in the income statement in the year incurred.
Intangible assets are basically represented by software used for more than one year.

Measurement criteria
Intangible assets are recognized at cost net of amortization calculated on a straight-line basis over their estimated useful lives.
At every closing date, the recoverable amount of the asset is estimated when there is an indication of impairment.
Any impairment loss is recognized in the income statement and is represented by the difference between the carrying amount of the asset and the recoverable amount.

Derecognition criteria
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 calculated on the taxable income for the year.
Deferred tax liabilities 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 recovered or the liability will be settled.

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

A.2.7. Payables

Classification criteria
Payables include all technical forms of funding from banks and customers (deposits, current accounts and financing).

Derecognition criteria
Financial liabilities are removed from the financial statements when the obligation specified in the contract is extinguished or following a substantial change in the contract terms of the liability.

Recognition and measurement criteria
Payables essentially include: exposure with the banks and the residual amount payable to the assignors.
Due to banks are recognized at the nominal amounts since they are generally due within 18 months.

A.2.8. Employee severance indemnities

Recognition and measurement criteria
As a result of the new provisions introduced by Law 296 of 2006, the calculation of employee severance indemnities accrued up to December 31, 2006 (which remains with the company) 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 employee severance indemnity already accrued, on the basis of demographic assumptions, in order to estimate the amount payable at the time of termination of employment;
• discounting the indemnity accrued to December 31, 2006 to present value on the basis of financial assumptions.
The employee severance indemnity accruing from January 1, 2007, since it must be transferred to the INPS fund or supplementary pension funds, takes on the characteristics of a defined contribution plan since the employer's obligation ceases once payment is made and the contribution is recorded in the income statement on the accrual basis.

A.2.9. Provisions for risks and charges

Recognition and measurement criteria
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;
• it is more likely than not that an outflow of resources will be required to settle the obligation:
• the amount of the obligation can be estimated reliably.

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

Derecognition criteria
Derecognition occurs when the obligation or contingent liability which generated the recognition of a provision is extinguished.

A.2.12. Recognition of revenue

The general criterion for the recognition of revenue components is the accrual basis. Specifically:
• 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 receivables collection management 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 14

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, 2006.

Section 2 - Financial assets held for trading - caption 20
Euros 1,376

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

2.2 - Derivative financial instruments

Type/underlying	Interest rate	Currency	Equity securities	Other	Total 12.31.2007	Total 12.31.2006
1. Listed						
Futures						
Forward contracts						
Forward rate agreements						
Swaps						
Options						
Other						
Other derivatives						
Total						
2. Unlisted						
Forward contracts						
Forward rate agreements						
Swaps	1,376				1,376	1,058
Options						
Other						
Other derivatives						
Total	1,376				1,376	1,058
Total	**1,376**				**1,376**	**1,058**

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

Caption/Amount	12.31.2007		12.31.2006	
	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. Quotas of UCITS				
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 derecognized				
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		1,376		1,058
b. Financial institutions				
c. Other issuers				
Total		**1,376**		**1,058**

2.4 - Financial assets held for trading: annual changes

Change/Type	Debt securities	Equity securities	Quotas of UCITS	Financing	Impaired assets	Derivative instruments	Total
A. Beginning balance						**1,058**	**1,058**
B. Increases							
B.1 Purchases							
B.2 Positive fair value changes						318	318
B.3 Other changes							
C. Decreases							
C.1 Sales							
C.2 Reimbursements							
C.3 Negative fair value changes							
C.4 Other changes							
D. Ending balance		**0**				**1,376**	**1,376**

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.	26,887	72,667	0.37	0.503%

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

(amounts in euros referring to 12/31/2006)

Head office	Bologna - Strada Maggiore n. 34
Share capital	5,345,328
Equity	4,664,002
Loss for the year	(16,316)

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

Items/Amounts	12.31.2007		12.31.2006	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities				
2. Equity securities		27		27
3. Quotas of UCITS				
4. Financing				
5. Other assets				
6. Assets sold and not derecognized				
6.1 fully recognized				
6.2 partly recognized				
7. Impaired assets				
Total	-	27	-	27

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

Items/Amounts	12.31.2007		12.31.2006	
	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. Quotas of UCITS				
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 derecognized				
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

Change/Type	Debt securities	Equity securities	Quotas of UCITS	Financing	Other assets	Impaired assets	Total
A. Beginning balance		27					27
B. Increases B.1 Purchases B.2 Positive fair value changes B.3 Other changes							
C. Decreases C.1 Sales C.2 Reimbursements C.3 Negative fair value changes C.4 Other changes							
D. Ending balance		27					27

Section 6 - Receivables - caption 60
Euros 1,572,386

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

6.1 Due from banks
Euros 54,840

Due from banks includes Euros 41,394 of current account balances with banks at December 31, 2007.
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".

"Other assets" include Euros 13,446 of deposits for the sale of receivables referring to the ASLs and AOs of the Lazio Region.
In 2007, in fact, Justine Capital S.r.l., as the assignee of such receivables, disbursed an amount of Euros 121,016 against a sale of Euros 134,462.
Additional information about the transaction is provided in Section 2 - Securitization transactions".

Breakdown	12.31.2007	12.31.2006
1. Deposits and current accounts	41,394	82,843
2. Repurchase agreements		
3. Financing		
3.1 finance leases		
3.2 factoring activities		
receivables from assignors		
receivables from assigned debtors		
3.3 other financing		
4. Debt securities		
5. Other assets	13,446	0
6. Assets sold and not derecognized		
6.1 fully recognized		
6.2 partly recognized		
7. Impaired assets		
7.1 finance lease		
7.2 factoring activities		
7.3 other financing		
Total carrying amount	**54,840**	**82,843**
Total fair value	**54,840**	**82,843**

6.3 Due from financial institutions
Euros 1

The decrease is due to the fact that at December 31, 2006 the balance included receivables sold to the company Justine Capital S.r.l. in December 2006 on which collection was made in January 2007.

Breakdown	12.31.2007	12.31.2006
1. Repurchase agreements		
2. Financing		
2.1 finance lease		
2.2 factoring activities		
receivables from assignors		
receivables from assigned debtors		
2.3 other financing		
3. Securities		
4. Other assets	1	32,721
5. Assets sold and not derecognized		
5.1 fully recognized		
5.2 partly recognized		
6. Impaired assets		
6.1 finance lease		
6.2 factoring activities		
6.3 other financing		
Total carrying amount	**1**	**32,721**
Total fair value	**1**	**32,721**

6.5 Due from customers
Euros 1,517,545

The breakdown of the caption is as follows:
• performing non-recourse receivables purchased, recorded in the name of the assigned debtor, which meet the conditions for recognition and are measured at amortized cost. The balance is Euros 1,503,006;
• receivables from assignors for advances on receivables with recourse for Euros 2,626;
• receivables for advances and commissions to be invoiced to assignors for Euros 6,182;
• receivables from assignors for legal fees to be recovered for Euros 2,213;
• receivables for interest on late payments invoiced at December 31, 2007 amounting to Euros 98,549, entirely written off by a charge to the provision for interest on late payments for the same amount;
• impaired assets solely consist of receivables due from the "Enterprise Digital Architects Bankruptcy" for an amount equal to their realizable value of Euros 1,703 and receivables purchased for an amount below the nominal amount.
The Rome Courts declared Enterprise Digital Architects bankrupt on October 22, 2007. On January 21, 2008, the company filed a petition to be admitted as a creditor in the bankruptcy for Euros 7,598, including the receivables due directly from Enterprise Digital Architects and also non-recourse receivables purchased, for which there are disputes over supplying on the part of the assigned debtors.
On the basis of internal assessments and a legal opinion, the estimated loss amounts to about Euros 5.6 million and the impairment loss has been deducted directly from the receivables shown in the financial statements at amortized cost.

The following table presents the "analytical impairment loss" which is deducted directly from receivables expressed at amortized cost.

(in thousands of euros)

	Gross amount 12.31.2007	Impairment loss	Net amount 12.31.2007
Receivables from Enterprise	602	(602)	0
Receivables from assigned debtors	6,711	(5,008)	1,703
	7,313	**(5,610)**	**1,703**

Non-recourse receivables purchased for an amount below the nominal amount that are recognized for the amount effectively paid at the time of purchase total Euros 1,815.
These assets are classified as "impaired" assets in accordance with Bank of Italy regulations even though the company has never recognized losses on these receivables. In 2007, the realizable value of these receivables which is below the nominal amount is equal to Euros 189.
Contrary to the considerations made on impaired assets (non-performing receivables), non-recourse receivables purchased for Euros 1,503,006 are considered "performing" and therefore classified as performing receivables.

Non-recourse receivable purchases, mainly overdue when purchased, are considered collectible for the portion regarding principal.
Besides the previously mentioned receivables relating to the "Enterprise Bankruptcy", there are no other positions considered non-performing 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, 2007, as regards principal, in view of the solvency of the debtors.

• 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.

Breakdown	12.31.2007	12.31.2006
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	2,626	
- receivables from assigned debtors	1,503,006	1,428,119
3. Consumer credit		
4. Credit cards		
5. Other financing	6,182	6,109
of which: from guarantees and commitments		
6. Securities		
7. Other assets	2,213	2,025
8. Assets sold and not derecognized		
8.1. fully recognized		
8.2. partly recognized		
9. Impaired assets		
- Finance lease		
- Factoring	3,518	908
- Consumer credit		
- Credit cards		
- Other financing		
Total carrying amount	**1,517,545**	**1,437,161**
Total fair value	**1,517,545**	**1,437,161**

Fair value

Due from customers in the financial statements mainly refers to non-recourse receivables purchased for which there is not an active and liquid market. These especially refer to overdue receivables from the public administration for which it is not easy to reasonably determine the price in a hypothetically independent transaction, partly due to the difficulties in establishing a reasonable assessment of the liquidity risk which would be accepted by the market for such transactions.

It was therefore deemed that the carrying amount (determined on the basis of amortized cost and taking into account any individual and collective impairment losses) in relation to the nature, type, duration and forecasts of collection of such assets could substantially be considered representative of the fair value of these same receivables at the balance sheet date.

Section 10 - Property, plant and equipment - caption 100

10.1 Breakdown of caption 100 "Property, plant and equipment"
Euros 16,653

Captions/Measurements	12.31.2007		12.31.2006	
	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	10,815		11,557	
c. furniture and fixtures	420		495	
d. for own use				
e. other	1,733		1,503	
1.2 purchased under finance leases				
a. land				
b. buildings				
c. furniture and fixtures				
d. for own use				
e. other				
Total 1	**16,653**		**17,240**	
2. Purchased under finance leases				
2.1 unopted assets				
2.2 assets purchased at end of lease				
2.3 other				
Total 2				
3. Assets held for investment				
of which: granted under operating leases (to specify)				
Total 3				
Total 1+2+3	**16,653**		**17,240**	
Total (assets at cost and revalued)	**16,653**		**17,240**	

10.2 Property, plant and equipment: annual changes

	Land	Buildings	Furniture and fixtures	For own use	Other	Total
A. Beginning balance	**3,685**	**11,557**	**495**		**1,503**	**17,240**
B. Increases						
B.1 Purchases		449	38		730	1,217
B.2 Impairment reversals						
B.3 Positive fair value changes allocated to:						
equity						
income statement						
B.4 other changes					572	572
C. Decreases						
C.1 Sales					(572)	(572)
C.2 Depreciation		(1,191)	(112)		(500)	(1,803)
C.3 Allocated to:						
equity						
income statement						
C.4 Negative fair value changes allocated to:						
equity						
income statement						
C.5 Other changes						
D. Ending balance	**3,685**	**10,815**	**420**		**1,733**	**16,653**

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.
The measurement at first-time adoption 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.

Increases for additions during the year mainly refer to the renovation work to the outside areas and the remodeling of the inside space for office use.
The most important increases in "Other" basically refer to hardware purchases.

Section 11 - Intangible assets - caption 110

11.1 Breakdown of caption 110 "Intangible assets"
Euros 630

	12.31.2007		12.31.2006	
	Assets accounted for at cost	Assets measured at fair value revalued	Assets accounted for at cost	Assets measured at fair value revalued
1. Goodwill				
Total 1				
2. Other intangible assets				
2.1 owned and generated internally				
other	630		415	
2.2 purchased under finance leases				
Total 2	**630**		**415**	
3. Assets referable to finance leases				
3.1 unopted assets				
3.2 assets purchased at end of lease				
3.3 other assets				
Total 3	**0**		**0**	
4. Assets granted under operating leases				
Total 4	**630**		**415**	
Total (1+2+3+4)				
Total (Assets at cost + Assets at fair value)	**630**		**415**	

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

11.2 Intangible assets: annual changes

A. Beginning balance	**415**
B. Increases	
B.1 Purchases	533
B.2 Impairment reversals	
B.3 Positive fair value changes to:	
equity	
income statement	
B.4 Other changes	
C. Decreases	
C.1 Sales	
C.2 Amortization	(318)
C.3 Impairment losses to:	
equity	
income statement	
C.4 Negative fair value changes to:	
equity	
income statement	
C.5 Other changes	
D. Ending balance	**630**

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

12.1 Breakdown of caption 120 "Tax assets: current and deferred"
Euros 20,563

	12.31.2007	12.31.2006
a) Current tax assets:		
IRAP on-account payments	2,100	2,176
IRES on-account payments	12,390	10,642
Other		0
Current tax assets	*14,490*	*12,818*
b) Deferred tax assets:		
Deferred tax assets	6,073	7,589
Deferred tax assets	*6,073*	*7,589*
Total tax assets	**20,563**	**20,407**

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, 2007 is Euros 2,263.

12.2 Breakdown of caption 70 "Tax liabilities: current and deferred"
Euros 26,912

	12.31.2007	12.31.2006
a) Current tax liabilities:		
Prior year residual amount	161	163
Ires and Irap charge	15,252	11,283
Current tax liabilities	*15,413*	*11,446*
b) Deferred tax liabilities	11,499	13,342
Total tax liabilities	**26,912**	**24,788**

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

	12.31.2007	12.31.2006
1. Beginning balance	**7,589**	**7,837**
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	1,341	1,726
2.3 Other increases		
3. Decreases		
3.1 Deferred tax assets cancelled during the year		
a) reversed	(1,995)	(1,974)
b) writedowns due to non-recoverability		
c) due to change in accounting policies		
3.2 Reductions in tax rates	(862)	
3.3 Other decreases		
4. Ending balance	**6,073**	**7,589**

The Budget Law 2008 (Law 244 dated December 24, 2007) changed the IRES and IRAP tax rates bringing them, respectively, to 27.5% and 3.9%. This reduction resulted in an adjustment to deferred tax assets of Euros 862.

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

	12.31.2007	12.31.2006
1. Beginning balance	**13,342**	**11,401**
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	1,789	1,952
2.3 Other increases		
3. Decreases		
3.1 Deferred tax liabilities canceled during the year		
a) reversed	(1,853)	(11)
b) due to change in accounting policies		
c) other		
3.2 Reductions in tax rates	(1,779)	
3.3 Other decreases		
4. Ending balance	**11,499**	**13,342**

The Budget Law 2008 (Law 244 dated December 24, 2007) changed the IRES and IRAP tax rates bringing them, respectively, to 27.5% and 3.9%. This reduction resulted in an adjustment to deferred tax liabilities of Euros 1,779.

Section 14 - Other assets - caption 140

14.1 Breakdown of caption 140 "Other assets"
Euros 2,619

	12.31.2007	12.31.2006
Security deposits	12	15
Advances with suppliers	2	81
Accrued income and prepaid expenses	2,388	3,199
Other receivables	217	167
Total	**2,619**	**3,462**

Prepaid expenses mainly refer to differences in the timing of the fees on loan contracts.

Liabilities and equity

Section 1 - Payables - caption 10

Euros 1,412,923

1.1. Due to banks
Euros 1,378,976

Captions	12.31.2007	12.31.2006
1. Repurchase agreements		
2. Financing	1,378,976	1,369,350
3. Other amounts due		
Total	**1,378,976**	**1,369,350**
Fair value	**1,378,976**	**1,369,350**

Due to banks refers to amounts due to banking institutions.

1.3 Due to customers
Euros 33,947

Captions	12.31.2007	12.31.2006
1. Repurchase agreements		
2. Financing		
3. Other amounts due	33,947	36,142
Total	**33,947**	**36,142**
Fair value	**33,947**	**36,142**

At December 31, 2006, the amount due to customers included the loan payable to Confarma S.p.A. for Euros 10 million which was extinguished in 2007.

Section 2 - Securities issued - caption 20

2.1 Breakdown of caption 20 "Securities issued"
Euros 7,900

Liabilities	12.31.2007		12.31.2006	
	Carrying amount	Fair Value	Carrying amount	Fair Value
1. Listed securities				
bonds				
other securities				
2. Unlisted securities				
bonds				
other securities	7,900	7,900	16,700	16,700
Total	**7,900**	**7,900**	**16,700**	**16,700**

Securities issued refer to commercial paper issued on the market.

Section 3 - Financial liabilities held for trading - caption 30

3.1 Breakdown of caption 30 "Financial liabilities held for trading"
Euros 6

Liabilities	12.31.2007		12.31.2006	
	Fair value	Nominal notional amount	Fair value	Nominal notional amount
1. Payables				
2. Securities issued				
bonds				
other securities				
3. Derivatives	6	20,000	0	0
Total	6	20,000	0	0

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

Section 9 - Other liabilities - caption 90
Euros 16,232

9.1 Breakdown of caption 90 "Other liabilities"

	12.31.2007	12.31.2006
Payables to suppliers and invoices to be received	5,719	3,190
Payables to the tax authorities	435	431
Payables to social securities agencies	193	180
Payables to employees	1,003	803
Payables for receivables management	2,312	1,412
Collections pending allocation	2,861	2,073
Accrued liabilities and deferred income	2,434	2,794
Other payables	1,275	966
	16,232	**11,849**

Collections pending allocation are in line with those of the prior year.
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 868

10.1 "Employee severance indemnities": annual changes

	12.31.2007	12.31.2006
A. Beginning balance	**1,092**	**1,063**
B. Increases		
B.1 Charge for the year	208	218
B.2 Other increases		3
C. Decreases		
C.1 Payments made	(22)	(46)
C.2 Other decreases	(410)	(146)
D. Ending balance	**868**	**1,092**

10.2 "Other information"

The liability recognized in the financial statements at December 31, 2007 represents the present value of the obligation estimated by an independent actuarial firm.

"Other decreases" include actuarial differences recognized directly in the income statement.

The actuarial calculations reflect the impact of the new Law 296/2006 and the calculation, for purposes of IAS 19, refers solely to the employee severance indemnity accrued and not transferred to supplementary pension funds or to the INPS treasury fund.

Section 11 - Provisions for risks and charges - caption 110

Euros 3,164

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

	12.31.2007	12.31.2006
Pension funds and similar obligations	2,562	2,041
Other provisions	602	192
	3,164	**2,233**

11.2 "Provisions for risks and charges": annual changes

	12.31.2007	12.31.2006
Beginning balance	**2,233**	**1,659**
Increases		
B.1 Charge for the year	1,632	854
Decreases		
Use during the year	(701)	(280)
Ending balance	**3,164**	**2,233**

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

In accordance with the art. 2427, paragraph 1, 7-bis of the Italian Civil Code, a summary is presented below of the individual items of equity according to the possibility for utilization and availability for distribution and their utilization in the three years previous to the date of the preparation of the financial statements.

	12.31.2007	Possibility of utilization (a)	Amount available	Summary of utilization in the last three years	
				absorption of losses	for other reasons
Share capital	85,000				
Reserves:	12,928				
Legal reserve	*6,790*	B			
Extraordinary reserve	*88*	A,B,C	*88*		
Retained earnings	*6,050*	A,B,C	*6,050*		*30,000 (1)*
Valuation reserves:	24,222				
Measurement of property, plant and equipment and intangible assets at estimated cost	*2,796*	A,B			
Other	*21,426*	A,B,C	*21,426*		
Total Share Capital and Reserves	**122,150**		**27,564**	**0**	**30,000**

(a) Possibility of utilization: A= for share capital increases B= for absorption of losses C= for distribution to shareholders

(1) In the previous three years, "Retained earnings" were used to increase share capital which went from Euros 55,000 in 2004 to Euros 85,000 in 2007.

12.1 Breakdown of caption 120 "Share capital"
Euros 85,000

	Amount
1. Share capital	
1.1 Ordinary shares	85,000
1.2 Other shares (to specify)	

Share capital consists of 1,700,000 ordinary shares of par value Euros 50 each.
The shareholders, in the special meeting held on April 23, 2007, passed a resolution to increase share capital from Euros 80,000 to Euros 85,000 in the form of a bonus increase drawn from retained earnings.

12.5 Breakdown and annual changes in caption 160 "Reserves"

	Legal reserve	Retained earnings	Other reserves: Extraordinary	Total
A. Beginning balance	**5,794**	**3,153**	**88**	**9,035**
B. Increases				
B.1 Appropriation of profit	997	7,897		8,894
B.2 Other changes				
C. Decreases				
C.1 Use for the year				
- absorption of losses				
- distribution				
- transfer to share capital		(5,000)		(5,000)
C.2 Other changes				
D. Ending balance	**6,791**	**6,050**	**88**	**12,929**

Legal reserve

The increase in the legal reserve of Euros 997 from the end of the prior year is due to the appropriation of the profit for the year ended December 31, 2006, as approved by the shareholders' meeting held on April 23, 2007.

Other reserves

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

Retained earnings

The increase in retained earnings of Euros 7,897 from the end of last year is due to the appropriation of the profit for the year ended December 31, 2006, as approved by the shareholders' meeting held on April 23, 2007. The subsequent reduction of Euros 5,000 refers to the appropriation to increase share capital from Euros 80,000 to Euros 85,000 from retained earnings, as approved by the special shareholders' meeting held on April 23, 2007.

12.6 Breakdown 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		**2,796**				**21,426**	**24,222**
B. Increases							
B.1 Positive fair value changes							
B.2 Other changes							
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 Breakdown of caption 10 "Interest and similar income"
Euros 111,522

Captions/Technical types	Debt securities	Financing	Impaired assets	Other	Total 2007	Total 2006
1. Financial assets held for trading						
2. Financial assets designated at fair value through profit or loss						
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*		1,451			1,451	960
5.2 Due from financial institutions						
- *for finance leases*						
- *for factoring*						
- *for guarantees and commitments*						
- *for other*				393	393	286
5.2 Due from customers						
- *for finance leases*						
- *for factoring*		81,956			81,956	67,192
- *for guarantees and commitments*						
- *for other*				27,567	27,567	16,892
6. Other assets				155	155	-
7. Hedging derivatives						
Total	**-**	**83,407**	**-**	**28,115**	**111,522**	**85,330**

1.2 Interest and similar income: other information

Interest from credit institutions refers to temporary cash on hand in the bank current accounts.

Interest "due from customers" for factoring amounts to Euros 81,956 and consists of fees and commissions charged to the assignors for the purchase of non-recourse receivables.
The principle used for charging these fees and commissions reflects the criteria for the measurement of non-recourse receivables purchased at "amortized cost", in accordance with IAS 39, as a result of which the income connected with such activity is recognized in relation to the returns originating from estimated cash flows. Maturity commissions in 2007 increased by approximately Euros 15 million compared to 2006 mainly as a result of the effect of the increase in non-recourse purchases.

Interest "due from customers" for "other" includes Euros 22,346 of interest for late payments collected during the year. Compared to the prior year, Euros 7,987 more interest was collected.

1.3 Breakdown of caption 20 "Interest and similar charges"
Euros 59,579

Captions/Technical types	Financing	Securities	Other	Total 2007	Total 2006
1. Due to banks	50,095		1,595	51,690	40,358
2. Due to financial institutions			6,701	6,701	6,411
3. Due to customers	93		1,095	1,188	715
4. Securities issued					
5. Financial liabilities held for trading					
6. Financial liabilities designated at fair value through profit or loss					
7. Other liabilities					
8. Hedging derivatives					
Total	**50,188**	**-**	**9,391**	**59,579**	**47,483**

Interest due to banks relates to loans received from the banking system; the increase compared to the prior year is Euros 11,332.

Interest due to customers include 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 1,095 and the interest on the Confarma S.p.A. loan extinguished in June 2007 for Euros 93.

Interest due to financial institutions for Euros 6,701 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 Breakdown of caption 30 "Fee and commission income"
Euros 12,165

	Total 2007	Total 2006
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	12,163	10,401
8. servicing for securitization transactions	2	2
9. other fees and commissions (to specify)		
Total	**12,165**	**10,403**

2.2 Breakdown of caption 40 "Fee and commission charges"
Euros 465

	Total 2007	Total 2006
1. Guarantees received		
2. Distribution of services by third parties		
3. Collection and payment services		
4. Other commissions	465	192
Total	**465**	**192**

Section 4 - Profit (loss) on trading - caption 60
Euros 312

4.1 Breakdown of caption 60 Profit (loss) on trading"

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 Quotas of UCITS					
1.4 Financing					
1.5 Other assets					
2. Financial liabilities					
2,.1 Securities issued					
2.2 Other liabilities					
3. Derivatives	318		(6)		312
Total	**318**		**(6)**		**312**

Reconciliation of changes in derivative instruments

Financial assets held for trading	**Carrying amount**	**Change**
Amount at 12.31.2006	1,058	
Amount at 12.31.2007	1,376	318
Financial liabilities held for trading		
Amount at 12.31.2006	0	
Amount at 12.31.2007	6	(6)
Profit (loss) on trading		**312**

Section 9 - Impairment losses/reversals - caption 110

9.1 Breakdown of caption 110.a "Impairment losses/reversals on receivables"
Euros 5,610

	Impairment losses		Impairment reversals		Total 2007	Total 2006
Captions/adjustments	specific	portfolio	specific	portfolio		
1. Due from banks						
- for leasing						
- for factoring						
- guarantees and commitments						
- other						
2. Due from financial institutions						
- for leasing						
- for factoring						
- guarantees and commitments						
- other						
3. Due from customers						
- for leasing						
- for factoring	5,610				5,610	
- for consumer credit						
- guarantees and commitments						
- other						
Total	**5,610**	-	-	-	**5,610**	-

Section 10 - Administrative expenses - caption 120

10.1 Breakdown of caption 120.a "Personnel costs"
Euros 6,519

	Total 2007	**Total 2006**
1. Employees		
a. wages and salaries	4,018	3,677
b. social security charges	1,287	1,093
c. employee severance indemnity charges		
d. pension charges		
e. termination indemnities charges	61	222
f. other expenses	521	554
2. Other employees		
3. Directors	632	403
Total	**6,519**	**5,949**

10.2 Breakdown of caption 120.b "Other administrative expenses"
Euros 11,447

	12.31.2007	12.31.2006
Legal fees	2,065	1,965
IT costs	370	517
Outside receivables management services	783	745
Compensation to statutory auditors and S.B.	130	68
Legal fees for receivables under management	1,127	1,408
Notary fees	447	370
Notary fees to be recovered	33	174
Corporate hospitality and donations	738	780
Maintenance expenses	914	906
Non-deductible VAT	1,171	1,068
Other indirect taxes and duties	80	73
Consulting fees	1,725	1,671
Office operating expenses	511	413
Other expenses	1,353	1,099
Total other administrative expenses	**11,447**	**11,257**

This caption includes legal and notary fees (Euros 1,160) 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 Breakdown of caption 130 "Net adjustments to property, plant and equipment"
Euros 1,804

Captions/adjustments	Depreciation	Impairment losses	Impairment reversal	Net result
1. Property plant and equipment				
1.1 owned				
a. land				
b. buildings	1,191			1,191
c. furniture and fixtures	113			113
d. for own use	500			500
e. other				-
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	**1,804**	**-**	**-**	**1,804**

Section 12 - Net adjustments to intangible assets - caption 140

12.1 Breakdown of caption 140 "Net adjustments to intangible assets"
Euros 318

Captions/adjustments	Amortization	Impairment losses	Impairment reversals	Net result
1. Goodwill				
2. Other intangible assets				
2.1 owned	318			318
2.2 purchased under finance lease				
3. Assets referable to finance leases				
4. Assets granted under operating leases				
Total	**318**	**-**	**-**	**318**

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

14.1 Breakdown of caption 160 "Net charges to provisions for risks and charges"
Euros 1,633

A comparison of the charges to these provisions compared to the prior year are as follows:

	12.31.2007	12.31.2006
Charges to provision for pension funds and similar obligations	1,223	854
Charges to other provisions	410	0
Balance	**1,633**	**854**

The charges to the "provision for pension funds and similar obligations" refers to the accrual for employee benefit obligations.

Section 15 - Other operating expenses - caption 170

15.1 Breakdown of caption 170 "Other operating expenses"
Euros 161

	12.31.2007	12.31.2006
Prior period items	45	186
Donation of art works	0	354
Rounding and rebates	116	120
Other	0	2
Total other operating expenses	**161**	**662**

Section 16 - Other operating income - caption 180

Euros 2,572

16.1 Breakdown of caption 180 "Other operating income"

	12.31.2007	12.31.2006
Recovery of legal fees for purchases of non-recourse receivables	970	1,626
Recovery of legal fees for credit management of receivables	1,127	1,408
Receivables realized at amounts other than the nominal amount	189	778
Prior period items	132	153
Assignor notary expenses	33	174
Other recovered expenses	121	939
Total	**2,572**	**5,079**

Section 19 - Income taxes for the year - caption 210

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

Euros 14,924

	12.31.2007	12.31.2006
1. Current income taxes	15,252	11,283
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	1,516	248
5. Change in deferred tax liabilities	(1,844)	1,941
Income taxes for the year	**14,924**	**13,472**

19.2 Reconciliation of theoretical tax and effective tax charge

Component	IRES	IRAP
Taxable income used for tax calculations	39,363	53,579
Theoretical tax charge 33% IRES - 5.25% IRAP	**12,989**	**2,812**
Non-deductible permanent differences	168	152
Temporary differences taxable in future years	(6,305)	
Temporary differences deductible in future years	4,350	2,760
Reversal of temporary differences from future years	376	(4,533)
Taxable income	**37,952**	**51,959**
Current income taxes for the year: 33% IRES - 5.25% IRAP	**12,524**	**2,728**

Section 21 - Other information - Income statement

21.1 Analytical breakdown of interest income and fee and commission income

	Interest income			Fee and commission income			Total 2007	Total 2006
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			81,956				81,956	67,192
- On receivables purchased below original amount								
- For other loans	1,599	401	27,565			12,165	41,730	28,541
3. Consumer credit								
- Personal loans								
- Specific loans								
- Garnishing of one-fifth								
4. Guarantees and commitments								
- Commercial nature								
- Financial nature								
Total	**1,599**	**401**	**109,521**	**-**	**-**	**12,165**	**123,686**	**95,733**

• Interest income from “customers” for factoring amounts to Euros 81,956 and consists of fees and commissions charged to assignors for the purchase of non-recourse receivables.
• Interest income for “other loans” amounts to Euros 27,565 and includes late interest collected during the year for Euros 22,346.
• Fee and commission income from “customers” amounts to Euros 12,165 and refers to activities for the credit management of receivables.

Section 1 - Specific references to the company's activities

B - Factoring and sales of receivables

B.1 - Carrying amount

Caption	Total 12.31.2007			Total 12.31.2006		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
1. Performing assets						
- Receivables from assignors	2,626		2,626			
- Receivables from assigned debtors	1,503,005		1,503,005	1,428,119		1,428,119
2. Impaired assets						
2.1 non-performing						
- Receivables from assignors	602	(602)	-			
- Receivables from assigned debtors	6,711	(5,008)	1,703	0		-
2.2 problem						
- Receivables from assignors						
- Receivables from assigned debtors						
2.3 restructured						
- Receivables from assignors						
- Receivables from assigned debtors						
2.4 overdue						
- Receivables from assignors						
- Receivables from assigned debtors	1,815		1,815	908		908
Total	**1,514,759**	**(5,610)**	**1,509,149**	**1,429,027**	**-**	**1,429,027**

- Receivables from assignors amount to Euros 2,626 and refer to advances on receivables with recourse.
- "Performing assets" include "Receivables from assigned debtors" for Euros 1,503,005.

These receivables refer to non-recourse receivables purchased and are recorded under the name of the assigned debtor, assuming the recognition criteria is met, and measured at amortized cost.
"Impaired assets - Non-performing" solely consist of receivables from the assignor Enterprise Digital Architects recorded at amortized cost.

The company filed a petition to be admitted as a creditor in the bankruptcy of Enterprise Digital Architects for Euros 7,598, including the receivables due directly from Enterprise Digital Architects and also non-recourse receivables purchased from assigned debtors which are under dispute (nominal amount of receivables).
On the basis of internal assessments and the opinion of the legal advisor following the Enterprise bankruptcy, the estimated loss amounts to about Euros 5.6 million.

Impaired assets also include receivables purchased for an amount below the nominal amount recorded for the total effectively paid at the date of purchase; the balance at December 31, 2007 is Euros 1,815.
These assets are considered impaired in accordance with Bank of Italy regulations even though the company has never recorded losses on these receivables. In 2007, the realizable value of these receivables purchased below the nominal amount is equal to Euros 189.

Contrary to the considerations made on impaired assets (non-performing receivables), non-recourse receivables purchased for Euros 1,503,005 are considered "performing" and therefore classified as performing receivables.

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

B.2.1 - Advances

Caption	Total 12.31.2007				Total 12.31.2006			
		Total exposure				Total exposure		
		Gross amount	Impairment loss	Net amount		Gross amount	Impairment loss	Net amount
1. Performing assets								
- on with recourse factoring		2,626	0	2,626				
- on non-recourse factoring								
- on sales of future receivables								
- for other financing								
2. Impaired assets								
2.1 non-performing								
- on with recourse factoring								
- on non-recourse factoring								
- on sales of future receivables								
- for other financing								
2.2 problem								
- on with recourse factoring								
- on non-recourse factoring								
- on sales of future receivables								
- for other financing								
2.3 restructured								
- on with recourse factoring								
- on non-recourse factoring								
- on sales of future receivables								
- for other financing								
2.4 overdue								
- on with recourse factoring								
- on non-recourse factoring								
- on sales of future receivables								
- for other financing								
Total	-	2,626	-	2,626	-	-	-	-

B.2.2 - Consideration

	Total 12.31.2007				Total 12.31.2006			
		Total exposure				Total exposure		
Caption	Consider. paid	Gross amount	Impairment loss	Net amount	Consider. paid	Gross amount	Impairment loss	Net amount
Non-recourse factoring								
1. Performing assets								
2. Impaired assets								
2.1 non-performing								
2.2 problem								
2.3 restructured								
2.4 overdue								
Other sales								
1. Performing assets								
- for non-recourse receivables purchased	1,503,005	1,503,005	1,503,005	1,503,005	1,428,119	1,428,119		1,428,119
2. Impaired assets								
2.1 non-performing								
- for non-recourse receivables purchased	7,313	7,313	(5,610)	1,703				
- 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	1,815	1,815	-	1,815	908	908		908
Total	**1,512,133**	**1,512,133**	**(5,610)**	**1,506,523**	**1,429,027**	**1,429,027**	**-**	**1,429,027**

B.3 - Classification of receivables sold

B.3.1 - With recourse receivables factoring

	Banks		Financial institutions		Customers	
	Total 12.31.07	Total 12.31.06	Total 12.31.07	Total 12.31.06	Total 12.31.07	Total 12.31.06
					3,282	0
						-
Time frame						
To 3 months						
3 months to 1 year						
1 year to 5 years						
After 5 years						
Unspecified term					3,282	-
Total					**3,282**	**-**

B.3.2 - Non-recourse receivables factoring and other sales

	Banks		Financial institutions		Customers	
	Total 12.31.07	Total 12.31.06	Total 12.31.07	Total 12.31.06	Total 12.31.07	Total 12.31.06
Type						
Non-recourse factoring						
Non-recourse receivables purchased					1,504,708	1,428,119
Receivables below original amount					1,815	908
Total					**1,506,523**	**1,429,027**
Time frame						
To 3 months						
3 months to 1 year						
1 to 5 years						
After 5 years						
Unspecified term					1,506,523	1,429,027
Total					**1,506,523**	**1,429,027**

B.4 - Impairment losses

Caption	Balance 2006	Increases	Decreases	Balance 2007
1. Specific				
1.1 on performing assets				
- Receivables from assignors				
- Receivables from assigned debtors				
1.2 on impaired assets				
Receivables from assignors				
- Non-performing		602		602
- Restructured				
- Other				
Receivables from assigned debtors				
- Non-performing		5,008		5,008
- Restructured				
- Other				
2. Portfolio				
2.1 on performing assets				
- Receivables from assignors				
- Receivables from assigned debtors				
2.2 on impaired assets				
Receivables from assignors				
- Non-performing				
- Restructured				
- Other				
Receivables from assigned debtors				
- Non-performing				
- Restructured				
- Other				
Total		**5,610**	**-**	**5,610**

B.5 - Other information

B.5.1 - Turnover of receivables sold

(in millions of euros)

	Total 12.31.2007	Total 12.31.2006
1. With recourse factoring	3	0
2. Non-recourse factoring and other sales		
- Non-recourse factoring		
- Non-recourse receivables purchased	2,309	2,159
- Receivables purchased below original amount	1	0
Total	**2,313**	**2,159**

B.5.2 - Collection services only

Receivables referring to credit collection services only taken on in 2007 amount to Euros 1,938 million.

B.5.3 - Original amount of receivables purchased "below the original amount"
Euros 1,815

The original amount of receivables purchased "below the original amount" total Euros 6,089.

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

	Original amount of non-recourse receivables factoring		Original amount of non-recourse receivables factoring with risk mitigation clauses	
		of which: recognized in the financial statements		of which: recognized in the financial statements
	1,504,708	1,504,708		
Total	**1,504,708**	**1,504,708**	**0**	**0**

Section 2 - Securitization transactions
This section provides qualitative and quantitative information on securitization transactions put into place by the company.

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

QUALITATIVE DISCLOSURE

Strategies, processes and objectives.
The receivables securitization transaction with FL Finance S.r.l. was put into place for the early collection of receivables, issued up to December 31, 2003, of the Lazio Region health agencies.
Farmafactoring has the role of originator and servicer in this transaction.
As a result of the sale of its non-recourse receivables, Farmafactoring has transferred all the risks connected with the assigned assets to FL Finance S.r.l.
Farmafactoring as the originator did not subscribe to any securities issued by FL Finance S.r.l. and its involvement in the securitization transaction only regards its role as the servicer since it has no holding in FL Finance S.r.l.

Description of the internal systems for measuring and controlling risks
The progress on the transaction is monitored by a periodical review conducted by the Auditing function; in fact, the company provides the Bank of Italy with six-monthly reports written by the Internal Auditing function on the progress of the transaction and activity of the servicer.

Type of receivables, sales price and assigned amount
After reaching a framework agreement with the Lazio Region, in October 2004, the company put into place a securitization transaction for the receivables of the ASLs and AOs.
The arranger was Merrill Lynch and the transaction involved the sale of receivables to a vehicle company (under Law 130) named FL Finance S.r.l. for an amount of Euros 214,172,848;
Asset backed floating-rate notes were issued for a nominal amount of Euros 193,259,000 on October 29, 2004 and Fitch Ratings Ltd rated the portfolio "A+".
The transaction has a term of five years and will end on July 22, 2009.

Existence of guarantees and credit lines issued by the intermediary or third parties
As a result of the sale of the receivables to the FL Finance S.r.l., the transaction should be considered as definitively closed, since there is no credit enhancement mechanism or subscription of financial instruments (junior, mezzanine or senior); therefore, substantially all the risks and rewards of the transaction have been transferred to the assignee.
Besides the costs of sale and structuring incurred in 2004, there are no other effects on the income statement in subsequent years.

QUANTITATIVE DISCLOSURE

Type of financial instruments held
Farmafactoring does not hold any financial instruments regarding the transaction.

Servicer activity
Farmafactoring as the servicer took charge of the collection of the semiannual installments starting from December 15, 2004 for a total amount of Euros 149,920,947. The remaining amount of the receivables at December 31, 2007 is therefore equal to Euros 64,251,894.
In 2007, the installments collected as the servicer amount to Euros 42,834,570.

2. Disclosure on the Justine Capital S.r.l. transaction

QUALITATIVE DISCLOSURE

Strategies, processes and objectives
The activities with Justine Capital S.r.l. were put into place to diversity funding; a contractual amount was agreed for Euros 400 million.
The transaction commenced in August 2006 when a framework agreement was signed. The contract calls for the sale of revolving tranches of receivables from debtors that have longer collection times than the national average.
The total of the receivables sold under this transaction is equal to Euros 311 million for a total collected of Euros 299 million.
In 2007, sales were concluded for a total of Euros 155 million against collections of Euros 149 million.

Description of the risk profile
This transaction is considered as part of a normal receivable sales activity carried out through Justine Capital S.r.l. which has directly and independently structured a securitization transaction.
Farmafactoring, as the originator, after selling the non-recourse receivables, has neither any involvement in the securitization activities nor a holding in Justine Capital S.r.l.
The transaction does not call for any credit enhancement mechanism or subscription of financial instruments (junior, mezzanine or senior), therefore, substantially all the risks and rewards of the transaction have been transferred to the assignee.

Existence of guarantees and credit lines issued by the intermediary or third parties
A put option was written for this transaction with Dresdner Bank London Branch, the subscriber to the notes issued by Justine Capital S.r.l., which has the right to give back the receivables to Farmafactoring if they are not of certain liquidity and collectibility.
In that case, Farmafactoring will have the possibility of giving them back, in turn, to the original assignor.

QUANTITATIVE DISCLOSURE

Type of financial instruments held
Farmafactoring does not hold any financial instruments regarding the transaction.

Servicer activity
Farmafactoring, having the mandate for collections, recovers and collects the receivables on behalf of the servicer.

3. Disclosure on the transaction with Justine Capital S.r.l. (Lazio Region)

QUALITATIVE DISCLOSURE

Strategies, processes and objectives
The activities with Justine Capital S.r.l. have been put into place to diversity funding through the sale of receivables.

Description of the risk profile
This transaction is considered as part of a normal receivable sales activity carried out through Justine Capital S.r.l. which has directly and independently structured a securitization transaction.
Farmafactoring, as the originator, after selling the non-recourse receivables, has neither any involvement in the securitization activities nor a holding in Justine Capital S.r.l.
The transaction does not call for any subscription of financial instruments (junior, mezzanine or senior), therefore, substantially all the risks and rewards of the transaction have been transferred to the assignee.

Type of receivables, sales prices and amount assigned
This transaction was concluded in August 2007 and involved the entire sale of the receivables, with an issue date up to December 31, 2006, of the health agencies of the Lazio Region.
The total of the receivables assigned under this transaction is equal to Euros 134 million for a total amount collected of Euros 121 million.

Existence of guarantees and credit lines issued by the intermediary or third parties
A put option was written for this transaction with Dresdner Bank London Branch, the subscriber to the notes issued by Justine Capital S.r.l., which has the right to give back the receivables to Farmafactoring if they are not of certain liquidity and collectibility.
In that case, Farmafactoring will have the possibility of giving them back, in turn, to the original assignor.
Furthermore, another option was written with Dresdner Bank London Branch relating to 10% of the total of the receivables, an amount not paid at the date of sale but held as a guarantee.
If opposition injunctions are issued on the receivables by the relative debtors and are not declared provisionally executive up to the maximum amount of the guarantee, these receivables can be given back. In that case, Farmafactoring will pay a return price as established in the contract and the guarantee will be reimbursed to compensate such price.
The collection of the guarantee is set in the contract for the date of August 26, 2008 (termination date).

QUANTITATIVE DISCLOSURE

Type of financial instruments held
Farmafactoring does not hold any financial instruments regarding the transaction.

Servicer activity
Farmafactoring, having the mandate for collections, recovers and collects the receivables on behalf of the servicer.

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 dated 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 assigned debtors.
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 counterparts, 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 and 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 and subsequent amendments.

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 regulations 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 limited 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 regulations (Bank of Italy Circular 216/96 and the 7th update of Circular 216 in July 2007) with regard to concentrations of risk, in particular:

- a large risk is defined as every position equal to or higher than 15% of the regulatory capital (transitory regime up to December 31, 2011)
- each risk weighted position must be within the limit of 40% of regulatory capital (transitory regime up to December 31, 2011)
- the total amount of "large risks" equivalent to eight times the regulatory capital (global limit) will not applied from January 1, 2008 to December 31, 2011.

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 limited.

Furthermore, the company (Bank of Italy Circular 139/91) files a monthly report with notifications to the interbank Risk Office providing information on the change in the financial debt of the debtor over time and on the agreed/utilized ratio (which expresses the financial commitment of the company and the debt margins which it has with the system).

The regulatory capital, compared to 2006, increased by approximately 7%, from Euros 120,342 to Euros 129,227 at December 31, 2007. The breakdown is the following:

	12.31.2007	**12.31.2006**	**Change %**
Tier 1	107,029	97,929	9.3%
Tier 2	22,828	22,828	0.0%
Elements to be deducted	*(630)*	*(415)*	*51.8%*
Total Regulatory Capital	*129,227*	*120,342*	*7.4%*
Risk-weighted assets	*389,114*	*357,056*	
Tier 1 capital ratio	*27%*	*27%*	
Total capital ratio	**33%**	**33%**	

3. Qualitative assessment of receivables

The company performed an impairment test on the receivables portfolio to identify any impairments of its financial assets.
This analysis made it possible to distinguish between "performing" and "non-performing" receivables and included financial assets with a risk of loss in the "non-performing" category, while the remaining financial assets are considered "performing".

Performing receivables
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 at an "individual" or 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 that requires a estimate of the time to collection.
In accordance with IAS 39, a "collective" assessment was carried out on "performing" receivables.
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 from sovereign states, companies and banks, equal to 45% of the "probability of default" (PD) found.
The collective assessment of the "probability of default" (PD) was performed by assigning a "rating" to the debtors (ASL / AO), corresponding to the credit rating for the particular Region to which the debtors belong, given by the three major international rating agencies (Moody's, S&P and Fitch).
This analysis was performed on the receivables portfolio at December 31, 2005, December 31, 2006 and December 31, 2007 and did not indicate any significant losses such as to require a "collective impairment loss" of the receivables.

Non-performing receivables
In accordance with IAS 39, the company carried out an "analytical assessment" of its receivables to identify any impairment of individual positions.
Non-performing assets include only one position from the assignor Enterprise Digital Architects which was declared bankrupt by the Rome Courts on October 22, 2007.
On January 21, 2008, the company filed a petition to be admitted as a creditor in the bankruptcy for Euros 7,587, including the receivables due directly from Enterprise Digital Architects and also non-recourse receivables purchased, for which there are disputes over supplying on the part of the assigned debtors.
On the basis of internal assessments and the legal advisor following the Enterprise bankruptcy, the estimated loss amounts to about Euros 5.6 million.

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.

Impaired financial assets
Impaired assets include the amount of receivables due from Enterprise Digital Architects corresponding to the amount of non-performing receivables and prudently recording an impairment loss.
Impaired assets also include non-recourse receivables purchased for an amount below the nominal amount that are recognized for the total effectively paid at the time of purchase, the balance of which is Euros 1,815.

These assets are classified as "impaired" in accordance with Bank of Italy regulations even though the company has never recognized losses on these receivables. In 2007, the realizable value of these receivables which is below the nominal amount is equal to Euros 189.

Contrary to the considerations made on impaired assets (non-performing receivables), non-recourse receivables purchased for Euros 1,503,005 are considered "performing" and therefore 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 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					1,376	1,376
2. Financial assets designated at fair value through profit or loss						
3. Available-for-sale financial assets					27	27
4. Financial assets held to maturity						
5. Due from banks					54,805	54,805
6. Due from financial institutions					1	1
7. Due from customers	1,703				1,515,842	1,517,545
8. Other assets						
9. Hedging derivatives						
Total 12.31.2007	**1,703**	**-**	**-**	**-**	**1,572,051**	**1,573,754**
Total 12.31.2006					**1,553,810**	**1,553,810**

2. Exposure with customers

2.1. Exposure: gross and net amounts

Types/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	7,313	(5,610)		1,703
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	**7,313**	**(5,610)**	**-**	**1,703**
B. Performing				
- Financing				-
- Securities				-
- Guarantees				-
- Commitments to grant financing				-
- Other assets	1,515,842			1,515,842
Total B	**1,515,842**	**-**	**-**	**1,515,842**
Total (A+B)	**1,523,155**	**(5,610)**	**-**	**1,517,545**

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, 2007 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

1. Financial assets and liabilities by residual term

Item/ Residual life	to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	after 10 years	Unspecified term	Total
1. Assets							
1.1. debt securities	142,552	136,125	407,066	884,818		1,825	**1,572,386**
1.2. receivables							
1.3.other assets	261	67	420	628		27	**1,403**
2. Liabilities							
1.1. debt	1,244,166	115,000	32,500	21,257			**1,412,923**
1.2. securities issued	7,900						**7,900**
1.3. other liabilities				6			**6**
3. Derivatives							

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 be correlated to the investment rate, securing fixed-rate financing or by putting into place derivative transactions 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, 2007, the balance of hedging transactions is equal to Euros 301 million.

Contracts in place:

Hedging strategies

Type of transaction	Underlying Interest rates and debt securities			Residual term
	Notional amount	Fair value at 12.31.2007		
		Positive	Negative	
Collar	35,000,000	110,441		95
IRS	115,000,000	361,937		927
IRS step-up	91,000,000	753,271		506
Convertible swap	60,000,000	150,445	5,709	966
Partial total		**1,376,094**	**5,709**	
Total	**301,000,000**	**1,370,384**		

Hedging strategies follow the trend of forward rates. In 2007, this trend was not only characterized by increases by the ECB but also by the expectations conveyed by the market.
At December 31, 2007, the fair value of hedging instruments was positive for an amount of Euros 1,370,384 compared to the carrying amount, given the interest rate curve. The amount is higher than the prior year since rates increased during the first half of 2007.

3.2.2 Price risk

QUALITATIVE DISCLOSURE

1. General aspects

The price risk, meaning the possibility of sustaining losses from trading activities, is not present since the company's activities do not envisage trading on the market. Loans are represented by short-term or cash loans, intended to satisfy funding requirements, which normally remain in the financial statements until their natural expiration. Transactions in derivative instruments are put into place for the sole purpose of hedging interest rate exposure and the instruments used for this purpose are IRSs and 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 any foreign currency transactions put into place for more than Euros 10 thousand must be fully hedged.

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 defined 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, for those operational risks which are relevant under Legislative Decree 231, also part of the tests carried out by the Supervisory Board on the organizational and control Model for 231 Compliance.

Section 4 - Related party transactions

4.1. Information on compensation to directors and managers

- Compensation to directors Euros 632
- Compensation to the board of statutory auditors Euros 75

4.2. Loans and guarantees provided on behalf of directors and statutory auditors

A statement is made to the effect that guarantees have not been provided on behalf of the directors and statutory auditors.

4.3. Information on related party transactions

The merger of Confarma S.p.A. in and with Farmafactoring S.p.A. was finalized in July 2007. The merger is effective for accounting and tax purposes beginning January 1, 2007 and has the purpose of shortening FF Holding S.p.A.'s control chain, combining the decisional processes and achieving administrative and corporate savings.
The inverse merger of Confarma S.p.A. in and with Farmafactoring S.p.A. made it possible to simplify administrative requirements by keeping, with the operating company Farmafactoring, all the authorizations to conduct operations, relations with employees, the credit institutions, customers and third parties in general.
The merger is effective for accounting purposes from the start of the year.
The prior year's income statement and balance sheet data were not restated since the amounts are not significant.

A summary of the balance sheet and income statement data of Confarma S.p.A. at the merger date is as follows:

	(in thousands of euros)
Balance sheet	
Assets	
Investments	155
Other receivables	402
Total assets	**557**
Liabilities	
Payables to Farmafactoring	320
Equity	237
Total liabilities	**557**
Income statement	
Costs	98
Revenues	98

Interest and similar charges include interest of Euros 93 on the Confarma S.p.A. loan extinguished in June 2007.

Beginning 2007, FF Holding S.p.A. (as the parent) and Farmafactoring S.p.A. (as the subsidiary), after jointly opting to be to be taxed as a group, will calculate the taxable profit on a consolidated basis pursuant to article 117 and subsequent articles of DPR 917 dated December 22, 1986.

The consolidated tax option exercised by FF Holding S.p.A. and Farmafactoring S.p.A. ended the pre-existing tax consolidation in which Confarma S.p.A. had the role of parent.
Tax assets and liabilities relating to the Ires income tax on companies shown in Section 12 refers to receivables and payables with the parent FF Holding S.p.A.

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.

Board of Statutory Auditors' Report

Board of Statutory Auditors' Report

on the Farmafactoring S.p.A. Financial Statements at December 31, 2007

To the shareholders,

As already mentioned 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 held on April 28, 2006, has charged the audit firm of PricewaterhouseCoopers S.p.A. with the accounting control of the company. The audit firm is listed in the register of the Ministry pursuant to art. 2409 bis of the Italian Civil Code.

Our work on control activities pursuant to art. 2403 of the Italian Civil Code during the course of the year ended December 31, 2007 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 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 international accounting standards;

- 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 by the controlling bodies in this report;

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

- during the year ended December 31, 2007, 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 2007 and controlled the areas covered by such activities;

- the board has 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;

- 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.

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

Balance sheet

Assets		1,614,268,341
Liabilities and equity		1,468,004,998
Share capital	85,000,000	
Legal reserve	6,790,807	
Other reserves	30,361,499	
		122,152,306
Profit for the year 2007		24,111,037
Liabilities and equity		1,614,268,341

Income statement

Revenues and other income	126,571,709
Costs	102,460,672
Profit for the year 2007	24,111,037
	126,571,709

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

Accordingly, the board has no reasons to oppose the approval of the financial statements at December 31, 2007 and expresses a favorable opinion on the motion for the appropriation of profit proposed by the board of directors.

Milan, April 7, 2008

The Board of Statutory Auditors

Francesco Tabone

Luca Simone Fontanesi

Giancarlo Rizzani

FARMAFACTORING S.P.A.

Dalla collezione Fondazione Farmafactoring

Arnaldo Pomodoro
Triangolo, 1999
Bronzo, 21,5x17,5x6 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, 2007. 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.

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.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 6 April, 2007.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P. IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70125 Viale della Repubblica 110 Tel. 0805429863 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25124 Via Cefalonia 70 Tel. 0302219811 – **Firenze** 50129 Viale Milton 65 Tel. 0554627100 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 08136181 – **Padova** 35137 Largo Europa 16 Tel. 0498762677 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38100 Via Grazioli 73 Tel. 0461237004 – **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 – **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel. 0458002561

3 In our opinion, the financial statements of Farmafactoring SpA as of 31 December, 2007 comply with IFRS as adopted by the European Union and the Italian regulations implementing article 9 of Legislative Decree no. 38/2005; 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, 7 April, 2008

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 Statements refer to the Financial Statements in original Italian and not to their translation.

Shareholders' resolutions passed by the ordinary and special Shareholders' meeting

The ordinary shareholders' meeting, which met in first call on April 23, 2008, approved the financial statements for the year ended December 31, 2007, and appropriated the profit for the year of Euros 24,111,037 as follows:

- to the legal reserve, Euros 1,205,552
- to dividends, Euros 9.00 for each of the 1,700,000 shares outstanding for a total of Euros 15,300,000
- to retained earnings, the remaining amount of Euros 7,605,485

The special shareholders' meeting approved a bonus share capital increase from Euros 85,000,000 to Euros 90,100,000 by a partial withdrawal from retained earnings, changing the par value from Euros 50.00 to Euros 53.00.

Progetto grafico: ideogramma.it
Stampa: Arti Grafiche Baratelli

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