FARMAFACTORING SPA

Bilancio 2008 | Annual Report

In copertina
Dalla collezione Fondazione Farmafactoring
Pietro Dorazio
Senza titolo, 1998
Serigrafia su lastra di bronzo, 30x13x1 cm
(Particolare)

Annual Report 2008
24th year

Call to the general annual Shareholders’ meeting

The shareholders are hereby convened to the ordinary and special general annual shareholders’ meeting to be held at the headquarters of the company, in Milan, Via Domenichino 5, in first call, on April 29, 2009 at 15:00, and, should it prove necessary, in second call, on May 6, 2009 same time and place, in order to pass resolutions on the following

Order of Business

Ordinary business

1. Examination of the draft financial statements for the year ended December 31, 2008, the board of directors’ report on operations and the board of statutory auditors report; respective and pertinent resolutions.
2. Election of the board of directors after establishing the number of members, appointment of the chairman and vice chairman and determination of compensation.
3. Election of the board of statutory auditors and determination of compensation.
4. Conferral of engagement for the control of accounting according to art. 2409 bis and subsequent conferral of the engagement for the audit of the financial statements for the three-year period 2009/2010/2011.
5. Any other resolutions, pursuant to art. 2364 of the Italian Civil Code.

Special business

1. Share capital increase from Euros 90,100,000 to Euros 96,900,000, in the form of a free issue, by drawing from retained earnings, and possibly also the modification of the par value of the shares; respective and pertinent resolutions.
2. Consequent change in art. 5 of the bylaws.

Milan, March 31, 2009

On behalf of the Board of Directors
The Chairman
Marco Rabuffi

Contents

Board of Directors

Chairman	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.

Dalla collezione Fondazione Farmafactoring

Lucio Del Pezzo
Zig-zag colore, 1975
Ottone cromato, alluminio verniciato
e legno laccato, 40x10x10 cm

Report on operations

General Economic Overview

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 2008, the world economy experienced an economic crisis on a global scale which began in 2007 in the subprime mortgage market in the United States. This crisis subsequently worsened and had repercussions on some of the largest American and European financial institutions and a major impact on the real economy. It influenced the decisions of consumers, investments and production, and also affected emerging nations.

The central banks compensated for the deadlock in the national interbank markets by injecting large amounts of liquidity into the system and reducing interest rates. The Federal Reserve reduced the cost of money from 4.25% in December 2007 to 0.25% in December 2008. As a result of the marked fall in inflationary pressure, and faced with a rapidly deteriorating future growth scenario, the European Central Bank cut interest rates to 2.50% at the end of 2008. However, the ECB's policy of cutting interest rates has not yet borne fruits in the real economy, neither has it resulted in a proportionally lower cost of money for businesses and households.
The global scenario and the ECB's different stance with regard to monetary policy compared to the Federal Reserve resulted in a significant increase in value for the euro, which closed 2008 at 1.41 against the U.S. dollar.

According to the ISAE (the Institute for Studies and Economic Analyses) estimates, in 2008, global GDP was decidedly lower than in 2007 (3.7% compared to 4.8% in the prior year), and, in 2009, is expected to fall even further.
According to an OECD study of the world's leading industrialized countries, GDP of the United States contracted, settling at 1.4% at the year-end, with strong repercussions on private consumption, residential investments and the real estate market.
In Japan and the United Kingdom, on the other hand, GDP grew 0.5% and 0.8% respectively, while the Eurozone halted at 1%.
In the Eurozone, the contraction was felt in all the main sectors, especially the industrial and automotive sectors, which market analysts expect to recover in the second quarter of 2009. Analyzing some of the countries in the Eurozone, the European Union predicted that GDP in 2008 would fall in most European countries, including France (0.9%), Germany (1.7%) and Spain (1.3%). In 2009, growth in these three countries is expected to decline even further, with a growth in GDP of close to zero.
Emerging nations were also affected by the crisis, closing 2008 with a lower GDP than in 2007, and a further contraction is expected in 2009.

After the major price rises which dominated the first half of 2008, the fall in the prices of raw materials in the last half of 2008 led to a decrease in inflation. A survey by the OECD estimated inflation at 4.3% in the United States and 3.4% in the Eurozone. In 2009, it predicts that rates of inflation will settle in these areas at 1.6% and 1.4% respectively.

The Italian Economy in 2008 and Forecasts for 2009

The global financial crisis also hit Italy, which entered a phase of recession, caused principally by a fall in foreign and domestic demand.

Exports of goods and services declined considerably, and to a greater extent than imports. This affected the balance of payments, and took away percentage points from the growth rate, due partly to the constant increase in the value of the euro against the U.S. dollar. In the third quarter of 2008 alone, exports fell by 1.6% compared to the same period of the prior year, continuing with a steady decline in "Made in Italy" consumer goods.
According to the Bank of Italy, exports should contract by a further 5% in 2009, and then increase by 4% in 2010.

Stiffer credit terms curbed investments in businesses, and contributed to a fall in production of about 4% compared to the prior year, leading to some of the worst results since World War II, with major contractions in almost all segments of the manufacturing industry.
Household consumption gradually diminished, reflecting the trend of real disposable income, amid fears of a worsening of the economic situation and the state of the labor market.

For 2008, ISTAT predicted a reduction in GDP of 1.0%, with a further deterioration in 2009. A recovery – based on a revival of the global economy and international trade – is not expected until 2010.

In 2008, in Italy, inflation settled at 3.3%. The inflation trend began with a period of growth during the first three quarters of the year, followed by a marked contraction in the last quarter, due to the above-mentioned decline in international prices of raw materials, especially oil.
According to the ISAE, it is precisely the indirect effects of the sudden fall in the price of oil that may cause a new contraction in the rate of inflation at the beginning of 2009.

Compared to 2007, there was a drop in tax revenues, which were negatively influenced by the effects of the economic situation. This led to a deterioration in the Deficit/GDP and Debt/GDP ratios, which, in 2008, were respectively at 2.7% (compared to 1.5% in 2007) and over 105% (compared to 104.1% in 2007).

The National Health System in Italy in 2008 and Forecasts for 2009

In 2008, the balance of the receivables due by companies from the Public Administration (PA) increased to Euros 60 billion. In this scenario, one of the most vulnerable sectors is healthcare, which accurately mirrors the gap between the North and South of Italy, both in terms of actual healthcare and regional deficits.

Law 244 of December 24, 2007 (Budget Law 2008) set aside about Euros 101.5 billion in 2008 (about Euros 4.5 billion more than the prior year) to be allocated to the National Health Fund, with the aim of further consolidating the National Health Service.
The main objectives were to increase resources for Standard Minimum Healthcare levels and boost the construction of healthcare facilities, reorganize the hospital network and territorial medical services, and update medical technologies.

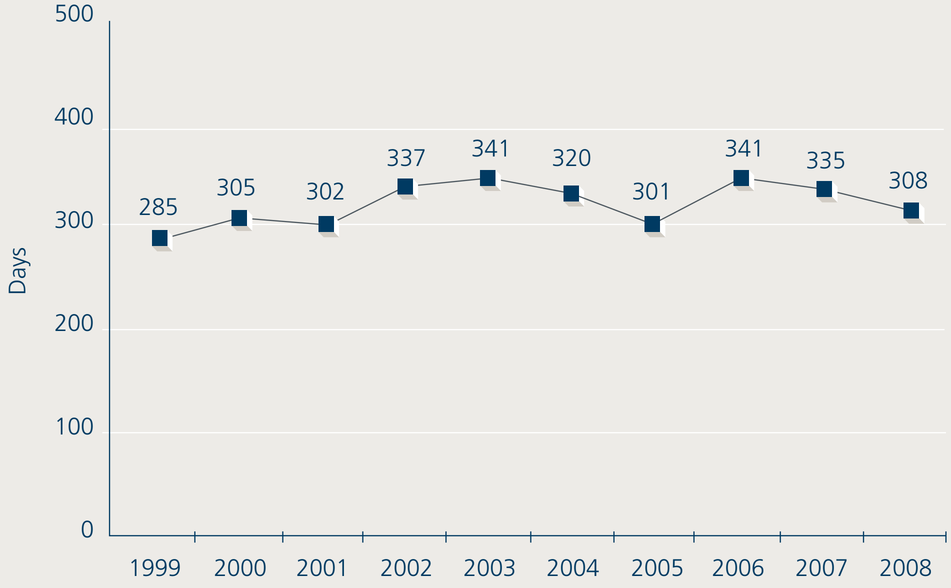
In 2008, total expenditures for National Healthcare were estimated at about Euros 108 billion, a figure that exceeded the amount allocated to the National Health Fund by about Euros 6.5 billion.
The deficit is likely to increase further in 2009 and 2010. According to the CEIS (Center for Economics and International Studies at Tor Vergata), healthcare expenditures in Italy continue to grow at a faster rate than GDP, so that, by 2010, the deficit between State funding and expenditures could be in the order of Euros 10 billion.

In 2008, as predicted, the Lazio Region came under the administration of an external commissioner (in July) as, subsequently, did the Abruzzi Region (in September). In 2009, four other regions with large deficits are likely to come under the administration of an external commissioner: Campania, Calabria, Sicily and Molise.

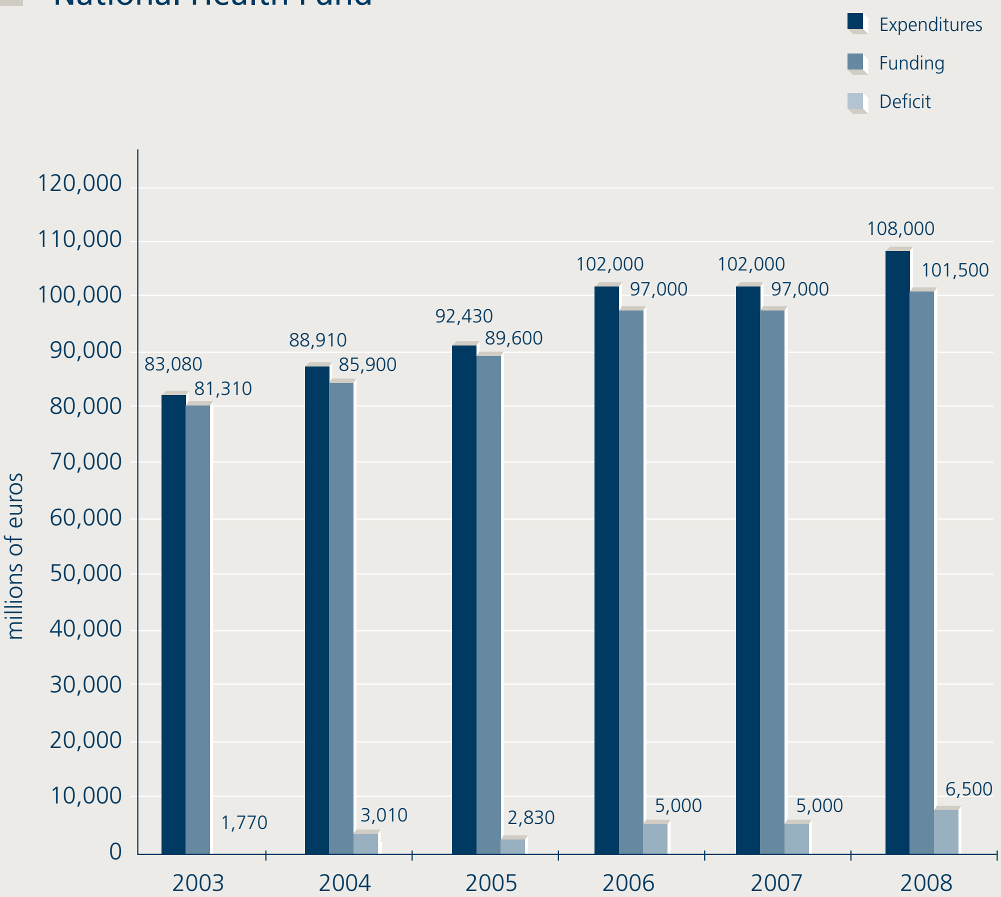
For 2009, the Budget Law allocated about Euros 103 billion to the National Health Fund, and plans to allocate Euros 104 billion and Euros 106 billion to the fund for 2010 and 2011.

A final note concerns the average payment times which, in 2008, were approximately 308 days, compared to 335 days in 2007.
DSO (Days Sales Outstanding) in 2009 is expected to be on average around 350 days.

Days Sales Outstanding



National Health Fund



Despite the difficulties resulting from the national and international economic scenario in 2008, the company has continued to show a positive trend of growth in terms of both turnover and operating and financial results.
The financial statements for the year ended December 31, 2008 show a profit after tax of Euros 28 million, about Euros 4 million higher than in 2007.

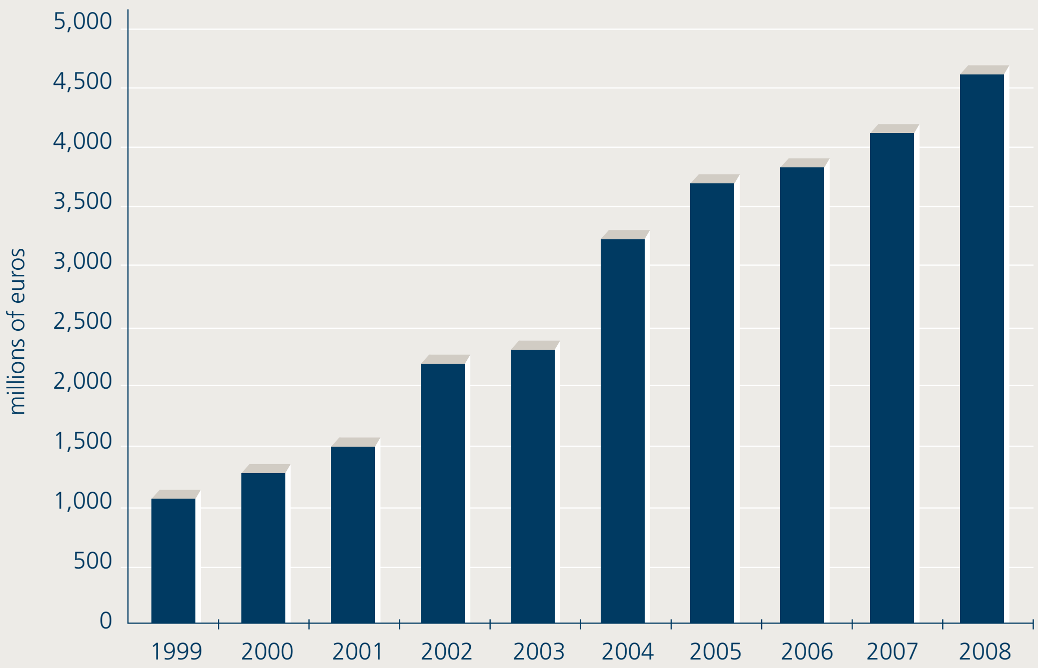
Among the events most notable with regard to Farmafactoring's operations in 2008 is the finalization of two agreements with the Lazio Region: one regarding "2006 and Prior Years' Receivables" and the other relating to "2007 Receivables", for a total of Euros 482 million. The agreements enabled the company to collect interest on late payments for Euros 29 million.

The trend of the company's main business indicators and the balance sheet and income statement figures are indicated in the next section.

Main Business Indicators in 2008 compared to 2007

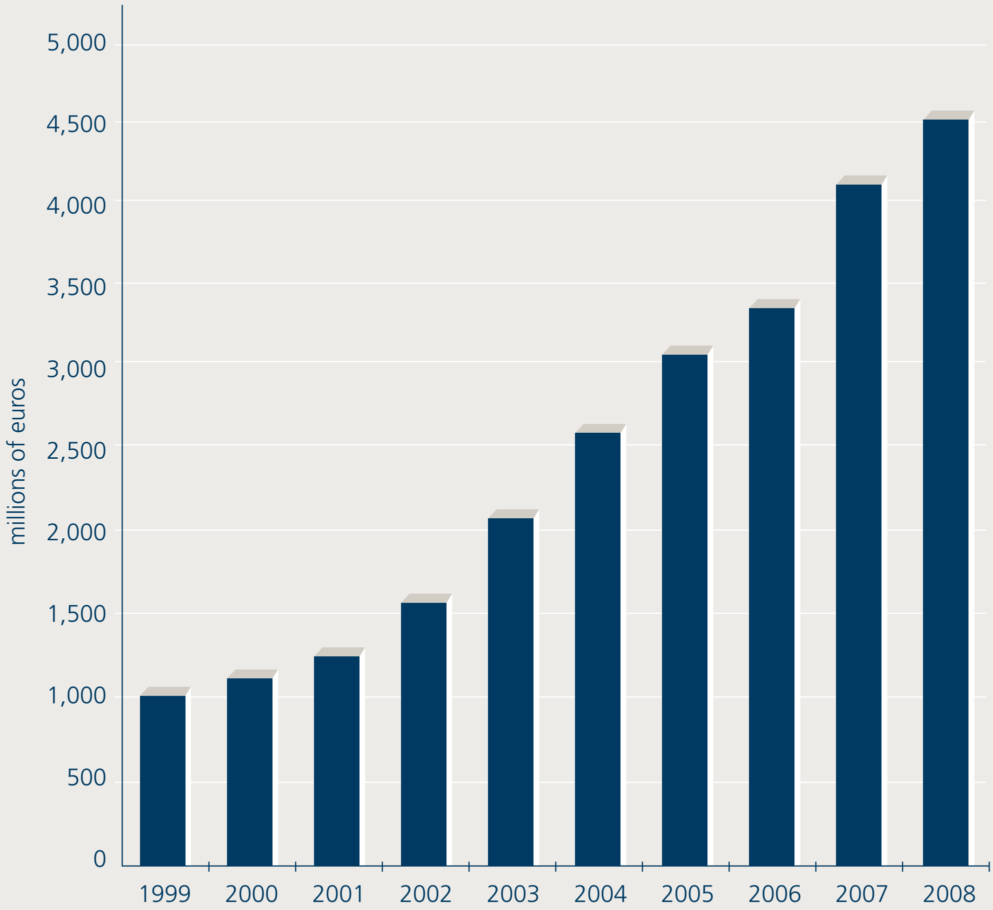
Receivables assigned for collection management in 2008 amount to Euros 4,644 million compared to Euros 4,247 million in 2007, with an increase of 9%.

Receivables assigned for collection Management



Purchases of non-recourse receivables total Euros 2,316 million compared to Euros 2,309 million in 2007.
Total collections rose from Euros 4,144 million in 2007 to Euros 4,499 million in 2008, increasing by 9%.

Collections

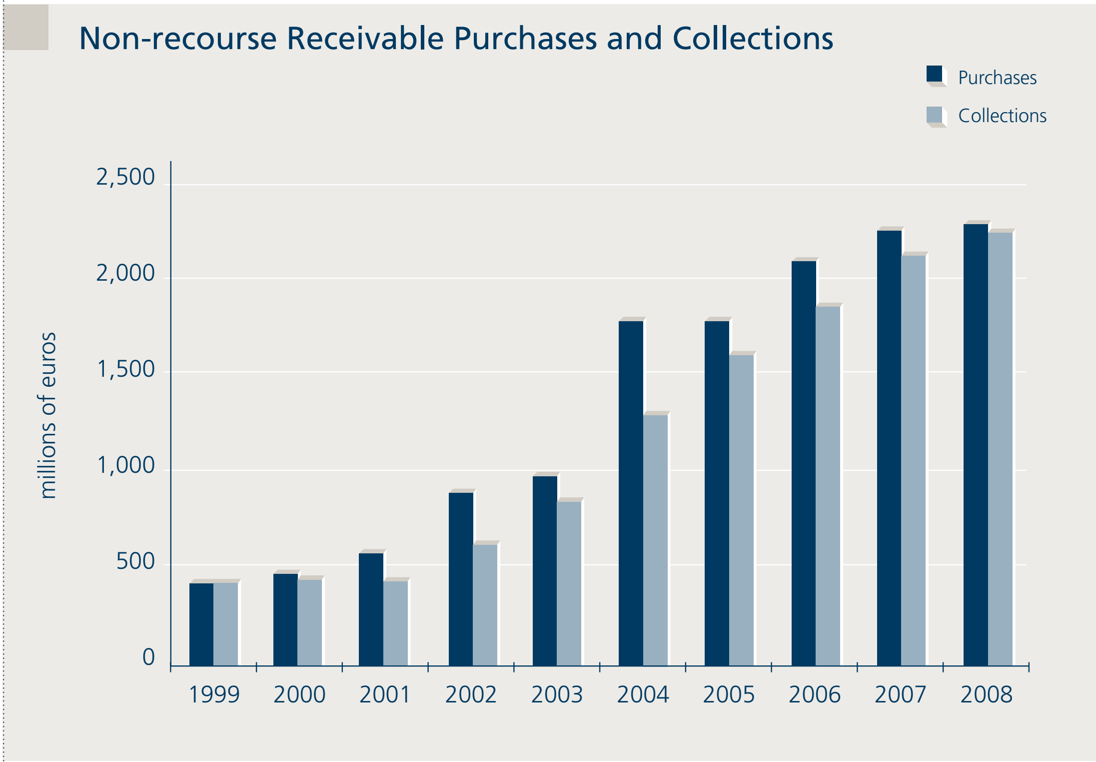


Collections relating to non-recourse receivables rose from Euros 2,201 million in 2007 to Euros 2,266 million in 2008. The 3% increase is due to higher volumes of receivable purchases and collections as a result of regional settlement agreements.

These settlement transactions made it possible for the company to reduce the collection times, relating to receivables due from the Local Health Service Agencies (ASL) and the Hospital Companies (AO), with a high average number of days sales outstanding.

As a result of such agreements, the Region achieves the objective of decreasing public funds used for health care expenditures and reducing payment times.

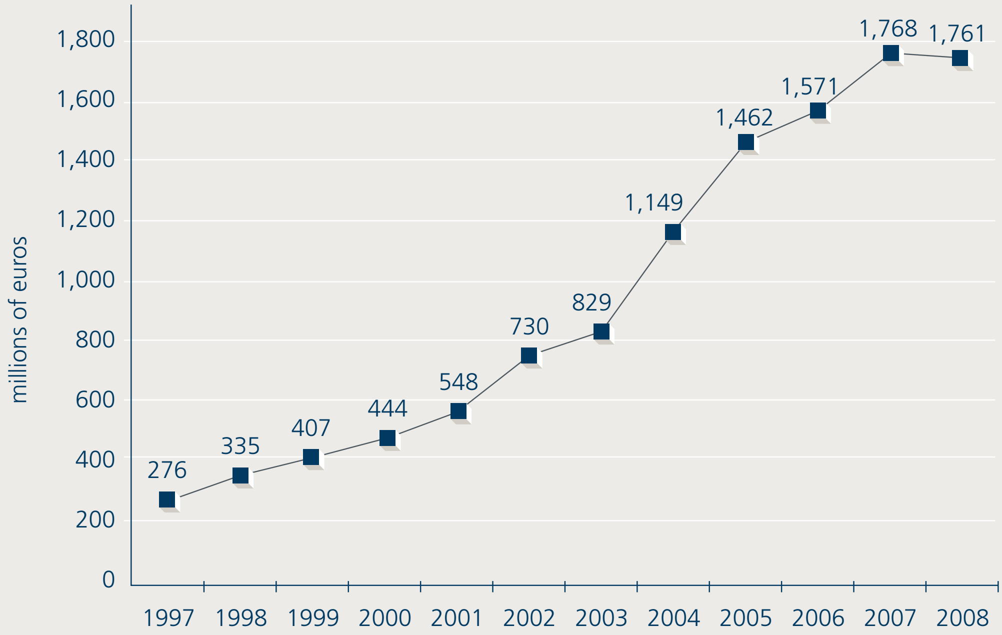
The following bar chart presents a summary of non-recourse purchases of receivables during the year and relative collections.



During 2008, the company continued to sell receivables to Justine Capital S.r.l.; such sales began in 2006.
These sales refer to receivables from debtors previously defined as "blocked" in that an exceptionally long period of time elapses before collection.
This activity provides for the purchase of such receivables and their subsequent sale to a vehicle company (established under ex Law 130/99), denominated Justine Capital S.r.l.
Justine Capital S.r.l., following the sale, issues notes which are mainly placed with the Dresdner Bank, London Branch. In 2008, the receivables sold in this manner total Euros 141 million.
During the same year, receivables from the Lazio Region ASLs and AOs were also sold to Justine Capital S.r.l. for Euros 127 million and are an integral part of the Regional Agreements that Farmafactoring concluded with the Region.

The credit lines to fund the purchases remained more or less the same as last year and are equal to Euros 1,761 million.

Bank Credit Lines from 1997 to 2008



Among the transactions concluded during 2008 are the following:
• a loan secured from a pool of banks with Intesa San Paolo as arranger and agent for a total amount of Euros 140 million, for a period of 18 months;
• two bilateral loans, respectively, from Centrobanca and WestLB for the amount of Euros 20 million each, for a period of 36 months;
• other bilateral loans from ordinary banking institutions for a total of Euros 45 million, for a period of 18 months.

Internal Control

In conformity with Bank of Italy regulation regarding Internal Control, the organizational unit responsible has implemented the activities provided for in the Audit Plan 2008.
A summary of the audit activities has been presented to the board of directors and board of statutory auditors.
In 2008, the internal control office has coordinated the risks committee whose main activity has been to adopt the measurement and analysis methods for all the risks indicated in the Second Pillar of Basel 2 in order to structure the Internal Capital Adequacy Assessment Process (ICAAP) process. In particular, the risks committee has analyzed the risks typical of the financial activity, keeping the board of directors duly informed of the contents.

During the second half of 2008 and in the early months of 2009, the board of directors has passed various resolutions regarding the subject of risks so as to bring its controls and system of governance into line with the new prudential supervision regulations in effect since January 1, 2008, activating the necessary company processes.

In particular, the main resolutions dealt with the following areas:
• ICAAP organizational regulation;
• policies and procedures regarding credit, financial and operating risks;
• risks analyses according to the Second Pillar of Basel 2.
The above are in addition to the existing internal regulations and are the subject of a new internal audit examination covered in the Audit Plan 2009.
The company has an organizational Model 231 with a supervisory board that monitors its functioning and updating.
The activities of the supervisory board include the following:
• control over information flows;
• updating the model for crimes associated with money laundering, safety in the workplace and information systems offenses, arranging stronger organizational controls;
• verification of mandatory training.
The supervisory board reports to the board of directors and the board of statutory auditors on a six-monthly basis.

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 prudential supervision regulation set out in the 7th update of Circular 216 of August 5, 1996 issued by the Bank of Italy on July 9, 2007.
The new regulation is based upon three pillars:
• the first introduces minimum capital requirements to meet the risks typical of financial assets;
• the second requires intermediaries to adopt a strategy and a process for reviewing and controlling current and future capital adequacy, deferring the task of verifying the reliability and consistency of the relative results to the Regulator, 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 - Regulatory capital against the risks typical of financial assets

QUALITATIVE INFORMATION

Regulatory capital
Regulatory capital is the first line of defense against risks associated with total financial assets and constitutes the main parameter of reference for measurements regarding the capital adequacy of the company.
The purpose of the new prudential supervision regulation is to ensure that all intermediaries registered in the special list referred to in art. 107 TUB have at least the minimum mandatory capital in relation to the risks assumed.
Farmafactoring constantly assesses its capital structure, developing and utilizing techniques for monitoring and managing risks.

The risks committee quarterly examines the capital structure in terms of capital absorption and available margin, lending its support to the board of directors in the definition of the methods to be used for the management of risks.
From the standpoint of prudential supervision regulations, the absorption is determined considering the current regulations for assessment.
Regulatory capital is composed of Tier 1 Capital plus Tier 2 Capital, net of deductions.

The main elements of the company which are comprised in regulatory capital are the following:

1. Tier 1 capital
Tier 1 capital is composed of the following positive elements:
• Share capital paid-in;
• Reserves (legal reserve, extraordinary reserve, retained earnings);
• Profit for the year.

Deductions:
• Other intangible assets.

2. Tier 2 capital
Tier 2 capital is composed of the following positive elements:
• Valuation reserves of property, plant and equipment: special revaluation laws;
• Valuation reserves of property, plant and equipment used by the business.

Deductions:
• Non-calculable quota of the valuation reserve of property, plant and equipment assets used by the business.

3. Tier 3 capital
At December 31, 2008, regulatory capital does not include capital elements quantifiable as Tier 3.
Deductions from total capital include prudential filters which consist of corrections to the items of equity in the financial statements in order to protect their quality and reduce potential volatility deriving from the application of international financial reporting standards.

Regulations state that the revaluation deriving from the redetermination of the cost of buildings, at first-time adoption of international financial reporting standards, should be computed entirely in Tier 2 capital.

Measurable risks
• credit risk → standardized approach;
• counterparty risk → standardized approach;
• operational risk → basic indicator approach (see Circular 263 of December 27, 2006);
• market risk → not material. The company does not have a trading portfolio.

Credit risk
The application of the standardized approach involves the division of exposures in various portfolios based upon the nature of the counterparty, and the application of diversified weighted coefficients to each portfolio.
In particular, for the "Central administrations and central banks" portfolio, the weighting depends on the rating assigned by the External Credit Assessment Institution (ECAI), or Export Credit Agencies (ECA), to the individual States; for the "supervised intermediaries" portfolio, the weighting depends on the rating of the State in which the supervised intermediary has its headquarters; for the "public sector entities" portfolio, the rules for weighting

are the same as those for supervised intermediaries; for companies, the weighting is based on the specific rating of the company.
With regard to the assessment of regulatory capital and capital requirements, the credit assessment agency (ECAI) for exposures to central administrations and central banks recognized by Farmafactoring is Moody's Investor Service, with an "Unsolicited" type of rating, which attributes a 0% weighting to the State of Italy, and allows a 20% weighting to be applied to exposures to public sector entities.
For the calculation of the credit risk, the company applies the following weighting factors established by the Bank of Italy regulation on prudential supervision:
- 0% for receivables from governments;
- 20% for receivables from the Public Administration (which include those from the Hospital - AOs - in the National Health System and ASLs);
- 20% for receivables from supervised intermediaries;
- 100% for receivables from private debtors;
- 100% for property, plant and equipment, investments and other assets;
- 150% for past due receivables.

Farmafactoring, since it does not receive deposits from the public, constantly maintains, as a capital requirement against credit risk, an amount of regulatory capital equal to at least 6% of the weighted exposure to credit risk.

Capital requirement = 6% RWA (Risk-Weighted Assets)

The Risk-Weighted Amount is determined by the sum of the risk-weighted assets of the various portfolios.

Operational risk
The company uses the Basic indicator approach to measure operational risk: the capital requirement is determined applying a 15% coefficient to the three-year average of the operating income taken from the financial statements for the last three years, according to the formats of the Bank of Italy (Circular 216/1996 - 7th update of July 9, 2007, First Part, Chapter V, Section IX, page 2).

Counterparty risk
Counterparty risk represents a particular type of credit risk which generates a loss if the transactions put into place with a specific counterparty have a positive value at the time of bankruptcy.
For Farmafactoring, the counterparty risk is only represented by the subscription of derivative contracts with the aim of hedging the risk of fluctuations in interest rates. The analysis relating to December 31, 2008 shows that this risk does not exist in that the fair value of the outstanding derivatives shows a negative value.

QUANTITATIVE INFORMATION

The following table shows the regulatory capital at December 31, 2008.

(in millions of euros)

Regulatory capital	12.31.2008	12.31.2007
Tier 1 capital	116	107
Deductions	(1)	(1)
Total Tier 1 capital	*115*	*106*
Tier 2 capital	24	24
Deductions	(1)	(1)
Total Tier 2 capital	*23*	*23*
Total Regulatory capital	**138**	**129**

Capital adequacy

Compliance with capital adequacy limits, for the Tier 1 Capital Ratio and the Total Capital Ratio is constantly monitored by the competent corporate bodies.
The Tier 1 Capital Ratio is the ratio of Tier 1 capital to the amount of risk-weighted assets.
The Total Capital Ratio is the ratio of regulatory capital to the amount of risk-weighted assets.
Farmafactoring's total exposure to risks at December 31, 2008, in relation to its business, is adequate according to the capital and the profile of risk identified.
The capital ratios are 27% for the Tier 1 Capital Ratio and 32% for the Total Capital Ratio.

(in millions of euros)

Categories/Values	Non-weighted amounts		Weighted amounts/requirements	
	12.31.2008	12.31.2007	12.31.2008	12.31.2007
A. Risk Assets				
A.1 Credit and counterparty risk				
1. *"Standardized"* approach	1,833	1,755	434	389
B. Capital Requirements			34	
B.1 Credit and counterparty risk *(equal to 6%)*			26	
B.2 Market risk			-	
B.3 Operational risk			8	
1. Standardized approach			8	
B.4 Other prudential capital requirements			-	
B.5 Total prudential capital requirements			-	
C. Risk Assets and Capital Ratios				
C.1 Risk-weighted assets			434	389
C.2 Tier 1 capital/Risk-weighted assets *(Tier 1 Capital Ratio)*			27%	27%
C.3 Total regulatory capital/ Risk-weighted assets *(Total Capital Ratio)*			32%	33%

Note: *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 of August 5, 1996 issued by the Bank of Italy on July 9, 2007. The application of this regulation provides for a weighting of past due receivables at 150%, with a consequent negative impact on the Tier 1 Capital Ratio and the Total Capital Ratio.*

Details relating to the capital absorption of credit and counterparty risk are presented below, showing, for each portfolio, the values of the exposure associated with each creditworthiness class and the deductions from regulatory capital:

(in millions of euros)

Categories/Values	Non-weighted amounts	Weighted items amounts	Values of exposures deducted from regulatory capital
Exposure to central administrations *Creditworthiness class: 1*	23	0	0.0
Exposure to territorial entities *Creditworthiness class: 1*	49	10	0.6
Exposure to public sector entities *Creditworthiness class: 1*	1,401	312	17.7
Exposure to intermediaries *Creditworthiness class: 1*	314	64	3.8
Exposure to companies *Creditworthiness class: 1*	13	13	0.8
Other exposure *Creditworthiness class: 1*	20	20	1.2
Past due exposure	13	15	0.9
Total	**1,833**	**434**	**26**

Second Pillar - Internal Capital Adequacy Assessment Process Summary (ICAAP)

The company, by March 31, 2009, must present the ICAAP summary to the Bank of Italy. The summary documents its system for the management of risks for the purpose of the determination of capital adequacy.
The latter also contains a self-assessment which identifies areas for improvement in addition to the action plans relating to the ICAAP process.
The company, based on the principle of proportionality, is classified for ICAAP purposes in Class 3, since its assets are lower than Euros 3.5 billion. As a result, the calculation methods used for capital requirements are those for the first pillar risks: standardized approach for the credit risk and basic indicator approach for the operational risk. With regard to risks not included in the first pillar, the company uses adequate systems for checking, analysis and organizational control.

Other Risks
In reference to other risks stated in Attachment K of Circular 216 of August 5, 1996 -7th update of July 9, 2007, Farmafactoring has set up the following organizational controls and monitoring systems.

Relevant risks
Relevant risks for the second pillar are: credit risk, operational risk, liquidity risk, strategic risk, reputational risk and residual risk.
The risks not discussed previously are described as follows:

• *Liquidity risk* is defined as *"the possibility that the intermediary is unable to meet its obligations at the due date, owing to its inability to raise funds on the market or the presence of limits in disposing of assets"*.
For this risk, Farmafactoring has adopted the approaches indicated in the regulation on prudential supervision, preparing a liquidity policy, including a contingency plan.

The document aims to define a funding policy in order to maintain an adequate level of financial flexibility, such as to ensure that a current treasury margin is kept which supports business activities by access to financial sources without altering the economic or equity equilibrium of the company represented by the correlation between sources and uses.

• *Strategic risk* is defined as *"the current or future risk of a decline in profits or capital owing to changes in the operational context or to incorrect company decisions, insufficient implementation of decisions and inadequate reactivity to changes in the competitive environment".*
The company has formalized a short-term, structured strategic planning process directed towards the determination of total future internal capital.

• *Reputational risk*, is defined as, *"the decline in profits or capital as a result of a negative perception of the intermediary's image by customers, counterparties, shareholders, investors or the regulator"*.
The company has conducted customer satisfaction surveys in 2008 with seller customers and assigned debtors in order to continue to improve its image, also by improving the quality of its services.

• *Residual risk.* As for the residual risk associated with the validity of the guarantees that the company receives from the clientele, there is a guarantee management policy in place in the Credit Regulation, which is also audited periodically.

Non-relevant risks
• *Interest rate variation risk.* The exposure to the risk of variations in interest rates is measured by reference to the assets and liabilities in the non-current portfolio. Farmafactoring determines the exposure to risks arising from potential changes in interest rates according to the provisions of Attachment M of Circular 216 of August 5, 1996 - 7th update of July 9, 2007, issued by the Bank of Italy, or weighting the asset and liability exposure according to the time frame, with weighed factors determined on the basis of the duration, and with shock rate assumptions of 200 basis points for all due dates.
The situation at December 31, 2008 shows a value on the risk index of 8.2%, below the attention threshold established by the regulation on prudential supervision (20%): consequently the risk for 2008 is considered immaterial.

• *Concentration risk.* The concentration risk represents a risk that can be measured by the company using the method proposed in Attachment B of Circular 263 of December 27, 2006 (New provisions for prudential supervision for the banks), issued by the Bank of Italy, which provides for the determination of the measurement of internal capital against concentration risk using the Granularity Adjustment algorithm.
The figures at December 31, 2008 relating to the credit portfolio show that 97% of the company's exposure to non-recourse receivables consists of receivables from entities of the Public Administration and the National Health System. The individual concentration risk is close to zero since the parties which comprise the outstanding balance have a Probability of Default (PD) close to or at zero. Even the sectorial concentration risk is close to zero since the sector with the highest concentration (the Public Administration and the National Health System with 97.4% outstanding at December 31, 2008) has a PD close to zero.

• *Securitization risk.* The securitization risk is not relevant for the company since it currently does not have any existing securitization transactions.

Non-relevant risks also include the counterparty risk mentioned in the previous point.

Third Pillar - Disclosure Statement

As required by the obligation for disclosure to the public, and at least once a year, by the date set for the publication of the 2008 financial statements, Farmafactoring will publish on its website www.farmafactoring.it the six tables created by the Bank of Italy (complying with the order and content), and will present the information regarding capital adequacy, exposure to risks and the general characteristics of the systems used for identification, measurement and management of such risks (please refer to Circular 216 of August 5, 1996 - 7th update of July 9, 2007, Chapter V, Section XII).

Bank of Italy Inspection

During the period October 20, 2008 to December 19, 2008, the Bank of Italy conducted an inspection under the T.U. of banking and credit laws and informed the board of directors and board of statutory auditors of its results on March 4, 2009.
The summary of the inspection is generally favorable, in line with what emerged in the previous inspection of the company by the Bank of Italy in 2003.
The summary recommends improved actions on the credit process as regards management and organizational aspects.

Business Developments

In 2008, investments were made in information technology for applications software, basic software and in hardware to ensure the availability, the performance and the security of the systems.

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

In 2008, the following main projects were executed:

• activation of new systems to protect the back-up and disaster recovery equipment;
• updates of software systems to manage the notifications regarding supervision for the Bank of Italy and the Single Computer Archive and creation of the software system for monitoring past due receivables;
• creation of new software functionalities for the company's website in order to improve the management of services offered to customers and to external credit collection companies;
• creation of new software functionalities for the factoring system, with the goal of improving internal efficiency, and the quality of service offered to the clientele;
• creation of new software functionalities to optimize the potential of the Expert System;
• complete integration of company operating procedures with those relating to privacy and security over information;
• modifications pursuant to Legislative Decree 196 of June 30, 2003 and subsequent updates (Code for the protection of personal data and the relative Attachment B (Technical Regulations on minimum security measures), with relative periodical testing.

Programming Document on Security

In 2008, the Programming Document on Security was updated in compliance with the provisions of article 19 of Attachment B (Technical Regulations on minimum security measures), of Legislative Decree 196/2003.

At the same time, the following documents were updated: analysis of the organization, processes and company information system regarding the treatment of personal data, and the analysis of risks.

FL Finance S.r.l. transaction

On October 29, 2004, Farmafactoring, after having reached a framework agreement with the Lazio Region, put into place a securitization transaction (under ex Law 130/99) for the receivables from the regional ASLs and AOs, selling them to the vehicle company FL Finance S.r.l.

As part of this transaction, the company had issued 193,259 asset-backed floating rate notes, for a nominal amount of Euros 1,000 each, due in June 2009, for a total of Euros 193,259,000.

The securitization transaction with the Lazio Region was terminated in advance upon signing the Termination Agreement on September 30, 2008, instead of at June 15, 2009, as established in the Amortization Plan indicated in the Offering Circular.
The Lazio Region had asked to terminate the transaction in order to meet its obligation to extinguish the healthcare debt contracted up to December 31, 2005, by December 31, 2008; this did not involve any additional expenses for the originator.
On October 1, 2008, the Italian paying agent paid the notes in full.

Transactions with the Parent and Related Parties

Starting from 2007, FF Holding S.p.A. (as the consolidating company) and Farmafactoring S.p.A. (as the subsidiary), after jointly opting to be taxed as a group, calculates the taxable profit on a consolidated basis pursuant to article 117 and subsequent articles of DPR 917 of December 22, 1986.

Furthermore, Farmafactoring also has factoring arrangements and the mandate for the management and collection of receivables with shareholder companies carried out on an arm's length basis.

Additional information on 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.
Following the various requests received from customer companies, which also operate in the Spanish market, the company has taken steps to study the characteristics of the local environment, conducting an in-depth analysis of possible problem areas.
The goal is to assess the possibility of setting up a local structure similar to Farmafactoring in Italy which will operate with the Spanish Health System.

Accounting Principles

General principles
Legislative Decree 38/2005 introduced international financial accounting standards into the Italian legal framework and requires the adoption of IAS/IFRS for the preparation of consolidated financial statements by listed companies, banks, financial intermediaries subject to supervision, companies with publicly traded stocks or bonds and insurance companies.

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

Reclassified Balance Sheet

(in thousands of euros)

	12.31.2008	12.31.2007	Change
Assets			
Cash and cash balances	14	14	0
Financial assets held for trading	0	1,376	(1,376)
Available-for-sale financial assets	27	27	0
Receivables	1,789,760	1,572,386	217,374
Property, plant and equipment	16,212	16,653	(441)
Intangible assets	636	630	6
Tax assets	21,446	20,563	883
Other assets	3,909	2,619	1,290
Total assets	**1,832,004**	**1,614,268**	**217,736**
Liabilities and equity			
Payables	1,585,484	1,412,924	172,560
Securities issued	0	7,900	(7,900)
Financial liabilities held for trading	6,825	6	6,819
Tax liabilities	26,346	26,912	(566)
Other liabilities	48,527	16,232	32,295
Employee severance indemnities	827	867	(40)
Provisions for risks and charges	4,822	3,164	1,658
Equity	130,964	122,152	8,812
Profit for the year	28,209	24,111	4,098
Total liabilities and equity	**1,832,004**	**1,614,268**	**217,736**

Reclassified Income Statement

(in thousands of euros)

	12.31.2008	12.31.2007	Change
Interest and similar income	144,757	112,640	32,117
Interest and similar charges	(76,642)	(60,697)	(15,945)
Net interest income	68,115	51,943	16,172
Net fee and commission income	11,327	11,699	(372)
Profit (loss) on trading	(8,195)	312	(8,507)
Gain (loss) on sale or repurchase of receivables	1,361	0	1,361
Operating income	**72,608**	**63,954**	**8,654**
Impairment losses on receivables	(7,000)	(5,610)	(1,390)
Administrative expenses	(20,393)	(17,966)	(2,427)
Adjustments to property, plant and equipment and intangible assets	(2,146)	(2,122)	(24)
Net charges to provisions for risks and charges	(1,869)	(1,633)	(236)
Other operating income (expenses)	2,626	2,412	214
Net operating profit	**43,826**	**39,035**	**4,791**
Income taxes	(15,617)	(14,924)	(693)
Profit for the year	**28,209**	**24,111**	**4,098**

Comments on the Reclassified Balance Sheet

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

Receivables

(in thousands of euros)

	12.31.2008	12.31.2007	Change
Due from banks	313,064	54,840	258,224
Due from financial institutions	1,275	1	1,274
Due from customers	1,475,421	1,517,545	(42,124)
	1,789,760	**1,572,386**	**217,374**

Due from banks mainly refers to current account balances which the company has with banks at December 31, 2008.

Due from financial institutions at December 31, 2008 refers to the "deferred price" reserve connected with the previously mentioned sales of receivables due from the Lazio Region ASLs and AOs to the vehicle company Justine Capital S.r.l. for Euros 127 million.
As established in the contract, these receivables will be paid by 2009.

Details of the amounts due from customers are the following:

(in thousands of euros)

	12.31.2008	12.31.2007	Change %
Loans account with assignors	1,897	4,584	-58.62%
With recourse advances	2,438	2,626	-7.16%
Fees and commissions due from assignors	3,133	1,598	96.06%
Non-recourse receivables purchased	1,464,050	1,504,709	-2.70%
Receivables purchased below nominal amount	1,787	1,815	-1.54%
Advances for legal fees	2,109	2,206	-4.40%
Debtors for interest on late payments	7	7	0.00%
	1,475,421	**1,517,545**	**-2.78%**

Non-recourse receivables purchased 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; financial assets with a risk of loss were included in the non-performing category, while the remaining financial assets were considered in the performing category.

Performing Receivables

The measurement of performing receivables includes receivables from the Public Administration past due 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 and internal statistics.

This representation is consistent with the method of measuring non-recourse receivables purchased at amortized cost which, in fact, is based on discounting estimated future cash flows according to an estimate of the time to collection.

Although the exposure to the Public Administration is considered no-risk, as in prior year, the degree of risk on the collective portfolio was measured in order to monitor the quantitative content.

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 PD was performed by assigning a rating to the debtors (ASLs/AOs), 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 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 individual assessment, a review of the financial assets classified in receivables was carried out in order to identify the individual positions which present objective impairments.

The measurement of non-performing assets includes those classified as impaired assets.

Impaired assets comprise:
• past due receivables;
• restructured receivables
• problem receivables
• non-performing receivables

The definitions of past due and impaired assets for accounting purposes coincide with those under the regulation relating to Circular 216 of August 5, 1996 (7th update of July 9, 2007).

In particular, the exposure to central administrations and central banks, public sector entities and territorial entities are considered past due when the "debtor has not made any payment for any of the positions owed to the financial intermediary for more than 180 days".

Non-performing assets include all doubtful uncollectible receivables, net of the writedowns for estimated impairment losses.

In 2007, with regard to the bankruptcy of Enterprise Digital Architects S.p.A., estimated losses amounted to Euros 5.6 million which were recorded in a provision that was directly deducted from the receivables for the same amount.
On the basis of internal assessments and the advice of an external legal advisor, the estimated risk for 2007 has not changed, whereas for 2008, estimated losses on specific receivables amount to a total of Euros 7 million, divided as follows:
• with regard to the procedure for the forced liquidation of the entity Fondazione Ordine Mauriziano of Turin, estimated losses amount to Euros 6.5 million;
• as for liquidation management procedure for the entity Azienda Universitaria Policlinico Umberto I of Rome, estimated losses amount to Euros 0.5 million.

A comparison of impaired assets at December 31, 2008 and December 31, 2007 is presented below:

	Total 12.31.2008			Total 12.31.2007		
	Gross amount	Impairment loss	Net amount	Gross amount	Impairment loss	Net amount
Non-performing:						
Receivables from assignors	602	(602)	-	602	(602)	-
Receivables from assigned debtors	18,418	(12,008)	6,410	6,711	(5,008)	1,703
Past due:						
Receivables from assignors						
Receivables from assigned debtors	4,753		4,753			
Receivables below nominal amount	1,787		1,787	1,815		1,815
Total	**25,560**	**(12,610)**	**12,950**	**9,128**	**(5,610)**	**3,518**

Compared to the prior year, impaired assets increased due to the previously mentioned non-performing positions that arose in 2008 and also as a result of the application of the new regulation on prudential supervision with regard to the exposure from past due receivables according to Circular 216 of August 5, 1996, 7th update, of the Bank of Italy.
The following tables show non-performing receivables and impairment losses for specific impairments at December 31, 2008 and at December 31, 2007.

(in thousands of euros)

	Gross amount 12.31.2008	Impairment loss	Net amount 12.31.2008
Receivable from Enterprise	602	(602)	0
Receivables from assigned debtors (Enterprise bankruptcy)	6,263	(5,008)	1,255
Receivable from Fondazione Ordine Mauriziano	10,970	(6,500)	4,470
Receivable from Az. Università Policlinico Umberto I	1,185	(500)	685
	19,020	**(12,610)**	**6,410**

(in thousands of euros)

	12.31.2007	Accrued	Used	12.31.2008
Receivable from Enterprise	602	0	0	602
Receivables from assigned debtors (Enterprise bankruptcy)	5,008	0	0	5,008
Receivable from Fondazione Ordine Mauriziano	0	6,500	0	6,500
Receivable from Az. Università Policlinico Umberto I	0	500	0	500
	5,610	**7,000**	**0**	**12,610**

Property, plant and equipment

(in thousands of euros)

Description of property, plant and equipment, net	12.31.07	Net increases	Net decreases	12.31.08
Buildings	9,172	0	(302)	8,870
Land	3,685	0	0	3,685
Extraordinary building maintenance	1,642	454	(782)	1,314
Plant	808	365	(244)	929
Furniture and fixtures	420	75	(110)	385
Electronic machines	571	445	(355)	661
Other property, plant and equipment	355	77	(64)	368
	16,653	**1,416**	**(1,857)**	**16,212**

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 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)

	12.31.2008	12.31.2007	Change
Due to banks	1,476,262	1,378,976	97,286
Due to customers	109,222	33,948	75,274
	1,585,484	**1,412,924**	**172,560**

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.
The amount due to customers includes about Euros 21 million of receivables purchased in 2008 but paid in 2009.

Financial liabilities held for trading

Financial liabilities held for trading refer to derivative financial instruments used to hedge interest rate risk.
Derivative financial instruments are 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.
Derivatives are measured at fair value. At December 31, 2008, fair value is a negative Euros 6,825 thousand while at December 31, 2007 the fair value was a positive Euros 1,376 thousand resulting in a negative impact on the income statement of Euros 8,195 thousand recognized in Profit (loss) on trading.

Provisions for risks and charges

Provisions for risks and charges amount to Euros 4,822 thousand and include charges referring to employees. Provisions include Euros 3,820 thousand for pension funds and similar obligations and Euros 1,452 thousand for other provisions.

a) Pension funds and similar obligations

(in thousands of euros)

	12.31.07	Increases	Decreases	12.31.08
Long-term employee benefits	2,562	1,452	(194)	3,820

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-compete 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 28 million, after taxes, and is approximately Euros 4 million higher than the profit reported in 2007.

Comments on the most important captions of the income statement are reported below.

Net interest income

(in thousands of euros)

	12.31.2008	12.31.2007	Change	% Change
Maturity commissions	97,054	81,957	15,097	18.42%
Interest on late payments	39,363	22,346	17,017	76.15%
Other interest	8,340	8,337	3	0.04%
Total interest income	*144,757*	*112,640*	*32,117*	*28.51%*
Interest expenses	*(76,642)*	*(60,697)*	*(15,945)*	*26.27%*
Net interest income	**68,115**	**51,943**	**16,172**	**31.13%**

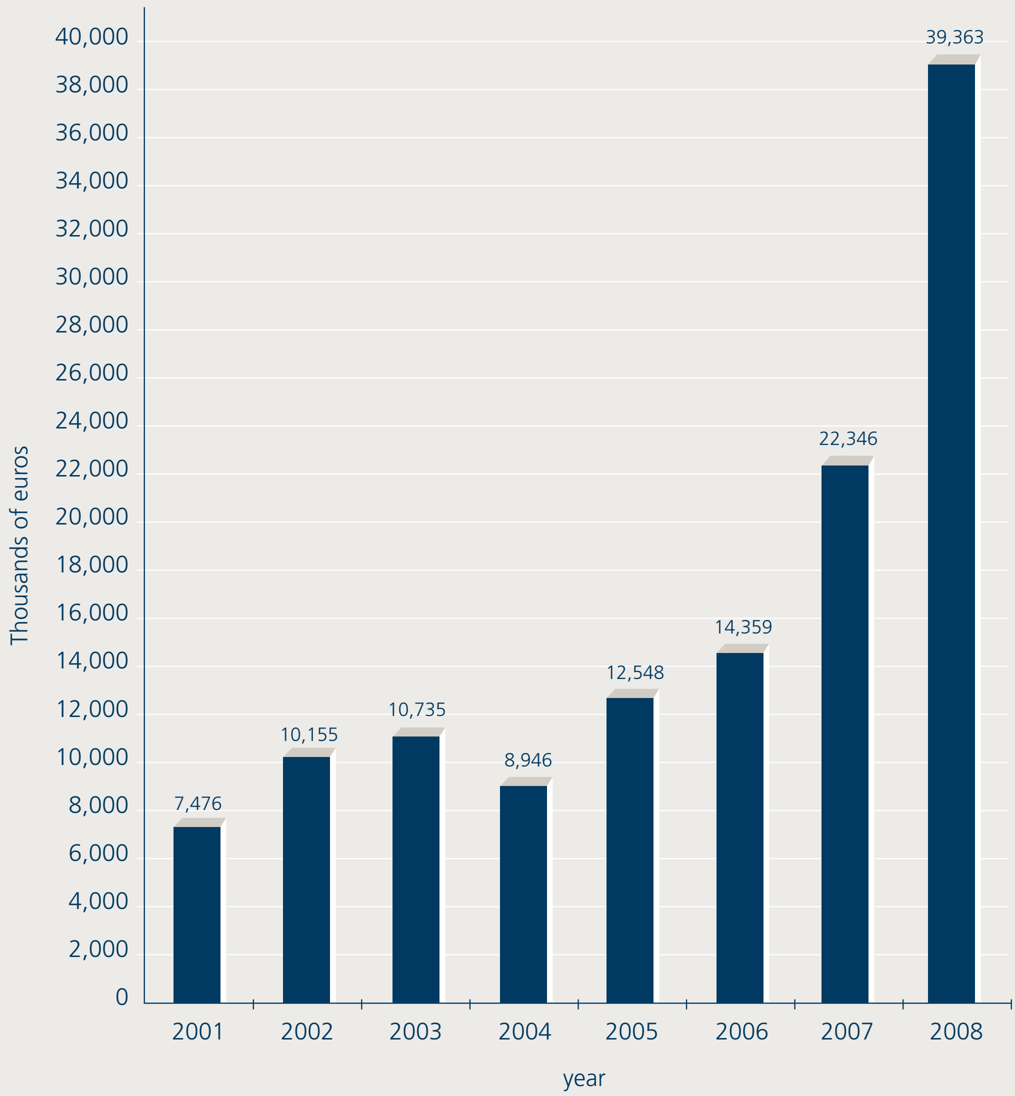
The recognition of maturity commissions in the income statement reflects the criteria for the measurement of non-recourse receivables purchased at amortized cost, in accordance with IAS 39, as a result of which the income connected with such activity is recognized in relation to the returns originating from the estimated cash flows.

Maturity commissions increased by approximately Euros 15 million in 2008 compared to 2007, mainly as a result of the effect of higher non-recourse purchases and relative collections.

Interest on late payments is calculated on non-recourse receivables purchased in the amount established by existing laws. At December 31, 2008, interest on late payments accrued on those non-recourse receivables amount to approximately Euros 300 million, of which Euros 149 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 2008 amounts to Euros 39 million, with an increase of 76% compared to the prior year.

Interest on late payments collected in 2008 and relating to agreements with the Lazio Region amount to Euros 29 million.

Interest collected on late payments



Interest expenses rose by approximately Euros 15 million in 2008 compared to 2007 as a result of an increase in average bank debt and 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)

	12.31.2008	12.31.2007	Change	% Change
Operating fee and commission income	11,558	12,164	(606)	-4.98%
Commission charges	(231)	(465)	234	-50.32%
Net fee and commission income	**11,327**	**11,699**	**(372)**	**-3.18%**

Profit (loss) on trading

Profit (loss) on trading is connected with the recognition of the fair value of derivatives, which amounts to Euros 6,825 thousand in 2008, with a negative impact on the income statement of Euros 8,195 thousand.

Reconciliation of changes in derivative instruments

(in thousands of euros)

Financial assets held for trading	Carrying amount	Change
Amount at 12.31.2007	1,376	
Amount at 12.31.2008	0	(1,376)
Financial liabilities held for trading		
Amount at 12.31.2007	6	
Amount at 12.31.2008	6,825	(6,819)
Profit (loss) on trading		**(8,195)**

Impairment losses on receivables

The amount of Euros 7,000 thousand refers to the impairment losses on individual receivables described under non-performing receivables.

Administrative expenses

Details of administrative expenses are as follows:

(in thousands of euros)

	12.31.2008	12.31.2007	Change	% Change
Personnel costs	7,792	6,518	1,274	19.55%
Other administrative expenses	12,601	11,448	1,153	10.07%
Total administrative expenses	**20,393**	**17,966**	**2,427**	**13.51%**

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.
In the first part of 2008, changes were made which referred to the line organization; the Operations Office and PA Business Unit and Finance Office and Customers Business Unit were formed. The latter includes the commercial area and customer services.
As regards employees, the following table shows the number of employees at the end of 2008 compared to prior years.

Category	2002	2003	2004	2005	2006	2007	2008
Managers	2	2	3	3	3	3	4
Management staff	11	12	12	12	14	17	16
Other staff	33	37	40	43	47	50	55
Total	**46**	**51**	**55**	**58**	**64**	**70**	**75**

Five people were hired in 2008, one in staff and four in line positions. In particular, fixed term contracts were used on average for three people. At the end of the year, two people were under contract.

As for personnel costs, it should be noted that the renewal of the collective national labor contract for banking and credit was applied for employees in December 2007 and managers in January 2008.

Income taxes

Income taxes for the year amount to Euros 15,617 thousand.

As a result of the reduction in the IRES and IRAP tax rates introduced by the Budget Law 2008, deferred tax assets and liabilities have been adjusted to the new tax rates.

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.

Going concern

In accordance with IAS 1, paragraph 24, Farmafactoring assesses its ability to continue as a going concern and takes into account the trend of its main core indicators and available information on the future at least for the 12 months after the reporting date.

The analysis of performance over the last few years, discussed in the Report on Operations, shows a continuous improvement in business activities in terms of profit and turnover which can be summarized as follows:

- increasing trend in the last three years in profit and equity;
- steady increase in the number of staff in the last few years;
- adequate capital against the risks connected with lending activities;
- sufficient availability of financial resources;
- positive commercial prospects associated with the trend in demand.

A quantitative summary of such analyses is presented below:

(in millions of euros)

	2008	2007	2006
Receivables under management (mandate and servicer)	*4,644*	*4,247*	*3,863*
Non-recourse receivables purchases	2,316	2,309	2,159
COLLECTIONS	*4,499*	*4,144*	*3,427*
- of which, under management receivables	2,233	1,943	1,521
- of which, for non-recourse receivables	2,266	2,201	1,906
Interest on late payments	**39.4**	**22.4**	**14.3**

(in millions of euros)

	2008	2007	2006
Net Interest income	68.1	51.9	37.8
Operating income	72.6	63.9	49.5
EBTDA	53.2	47.6	36.7
Profit	28.2	24.1	19.9
Main profit and equity ratios:			
R.O.E. (Return on Equity)	18%	16%	15%
Operating income/non-recourse volumes	3.13%	2.77%	2.29%
Interest charges/maturity commissions	78.6%	72.6%	70.7%
Net interest income/interest income	47.0%	46.5	44.3%
Equity	159.2	146.3	133.2
Regulatory capital	138	129	120
Tier 1 Ratio (*)	27%	27%	27%

In prospective terms, too, there are no elements that would suggest that the going concern assumption is not appropriate.
Nevertheless, in view of the particular financial market scenario and the general economic phase of recession, in preparing the 2009 budget a more prudent approach was adopted for the increase of the turnover of non-recourse receivables purchases in order avoid difficulties in accessing financial resources.
Although the predictions might lead to a decline in purchases, estimates are in any case positive for 2009 with a profit budgeted that is basically in line with that of 2008.

As far as its particular financial structure is concerned, represented by bank credit lines equally divided between ordinary and committed lines, Farmafactoring has designed an internal system of monitoring according to ICAAP principles which provides for, by means of stress scenarios, the possibility of activating a series of measures in case of strong pressures or contingency situations. Such measures vary according to the type of scenario and the goal is to keep the financial position in equilibrium through the use of different levers such as the liquidity reserve, the lending programming and actions directed throughout the territory.
Farmafactoring confronts its working capital requirements through the use of short-term financial credit lines and its own equity and the liquidity generated during the period. At the same time, it meets its estimated lending requirements in the medium term through structured finance operations and bilateral committed financing and financing through pools.

Following the recent crisis, the company further consolidated its position in the territory by building up commercial relations and diversifying banking relations in order to reduce as much as possible the concentration risk of relationships and minimize the time factor in the crediting of sums made available by the entities in the National Health System and the Public Administration. Moreover, the reference market suggests a strong increase in demand for the sale of non-recourse receivables, which goes against the current trend of the present situation in the financial markets.

In view of the above considerations concerning the history and the future expectations of the company's performance and its ability to access financial resources, it is deemed that Farmafactoring will continue to operate as a going concern in the future and consequently has drawn up these financial statements on a going concern basis.

Motion for the Appropriation of Profit

Shareholders,
The financial statements for the year ended December 31, 2008 show a profit of Euros 28,209,217 and the board motions for the appropriation of profit as follows:

	(in euros)
Profit	**28,209,217**
5% to the legal reserve	1,410,461
	26,798,756
To the shareholders:	
Euros 11 for each of the 1,700,000 shares	18,700,000
To retained earnings	**8,098,756**

After the appropriation of profit, the Legal reserve will total Euros 9,406,820 and Retained earnings will amount to Euros 16,654,439.
The special shareholders' meeting is also called to vote on the free increase in share capital from Euros 90,100,000 to Euros 96,900,000 drawing from Retained Earnings Euros 6,800,000 and the simultaneous issue of new shares.
After this increase, Retained earnings will be reduced to Euros 9,854,439.

On behalf of the Board of Directors
The Chairman
Marco Rabuffi

Financial statements
at December 31, 2008

Balance sheet

(in euros)

	Assets	12.31.2008	12.31.2007
10	Cash and cash balances	13,512	13,701
20	Financial assets held for trading	159	1,376,094
40	Available-for-sale financial assets	26,887	26,887
60	Receivables	1,789,760,673	1,572,385,997
100	Property, plant and equipment	16,212,366	16,653,345
110	Intangible assets	636,472	629,744
120	Tax assets	21,445,740	20,563,100
	a) current	*16,387,126*	*14,490,259*
	b) deferred	*5,058,614*	*6,072,841*
140	Other assets	3,908,746	2,619,473
	Total Assets	**1,832,004,555**	**1,614,268,341**

(in euros)

	Liabilities and Equity	12.31.2008	12.31.2007
10	Payables	1,585,484,582	1,412,923,301
20	Securities issued	0	7,900,000
30	Financial liabilities held for trading	6,825,330	5,709
70	Tax liabilities	26,345,637	26,911,509
	a) current	*14,877,782*	*15,412,790*
	b) deferred	*11,467,855*	*11,498,719*
90	Other liabilities	48,526,759	16,232,321
100	Employee severance indemnities	827,267	867,722
110	Provisions for risks and charges	4,822,420	3,164,436
	a) pension funds and similar obligations	*3,819,923*	*2,562,470*
	b) other provisions	*1,002,497*	*601,966*
120	Share capital	90,100,000	85,000,000
160	Reserves	16,640,367	12,929,330
170	Valuation reserves	24,222,976	24,222,976
180	Profit for the year	28,209,217	24,111,037
	Total Liabilities and Equity	**1,832,004,555**	**1,614,268,341**

Income statement

(in euros)

	Costs	12.31.2008	12.31.2007
10	Interest and similar income	144,757,475	112,640,197
20	Interest and similar charges	(76,642,352)	(60,697,087)
	Net interest margin	**68,115,123**	**51,943,110**
30	Fee and commission income	11,558,528	12,165,282
40	Fee and commission charges	(231,050)	(465,484)
	Net fees and commissions	**11,327,478**	**11,699,798**
60	Profit (loss) on trading	(8,195,555)	312,597
100	Gain/loss on sale or repurchase of:		
	a) receivables	*1,361,118*	*0*
	Net interest and other banking income	**72,608,164**	**63,955,505**
110	Impairment losses/reversals on:		
	a) receivables	*(7,000,000)*	*(5,610,368)*
120	Administrative expenses		
	a) personnel costs	*(7,792,148)*	*(6,518,981)*
	b) other administrative expenses	*(12,601,207)*	*(11,447,496)*
130	Net adjustment to property, plant and equipment	(1,856,504)	(1,803,730)
140	Net adjustment to intangible assets	(289,996)	(318,269)
160	Net charges to provisions for risks and charges	(1,868,579)	(1,632,860)
170	Other operating expenses	(180,752)	(160,724)
180	Other operating income	2,806,989	2,572,166
	Net operating profit	**43,825,967**	**39,035,243**
	Total profit before taxes from continuing operations	**43,825,967**	**39,035,243**
210	Income taxes for the year	(15,616,750)	(14,924,206)
	Total profit after taxes from continuing operations	*28,209,217*	*24,111,037*
	Profit for the year	**28,209,217**	**24,111,037**

Statement of changes in equity

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 shares	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**

For the year ended December 31, 2008:

(in thousands of euros)

				Appropriation prior year profit		Change in equity during the year						
	Opening balance 12.31.2007	Adjust. to opening balance	Opening balance 1.1.2008	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 12.31.2008
Share capital	85,000		85,000				5,100					90,100
Share premium												-
Reserves												-
a) retained earnings	6,050		6,050	7,605			(5,100)					8,555
b) other	6,879		6,879	1,206								8,085
Valuation reserves	24,222		24,222									24,222
Equity instruments												-
Treasury shares												-
Profit	24,111		24,111	(8,811)	(15,300)						28,209	28,209
Equity	**146,262**	**-**	**146,262**	**-**	**(15,300)**		**-**				**28,209**	**159,171**

Statement of Cash Flows

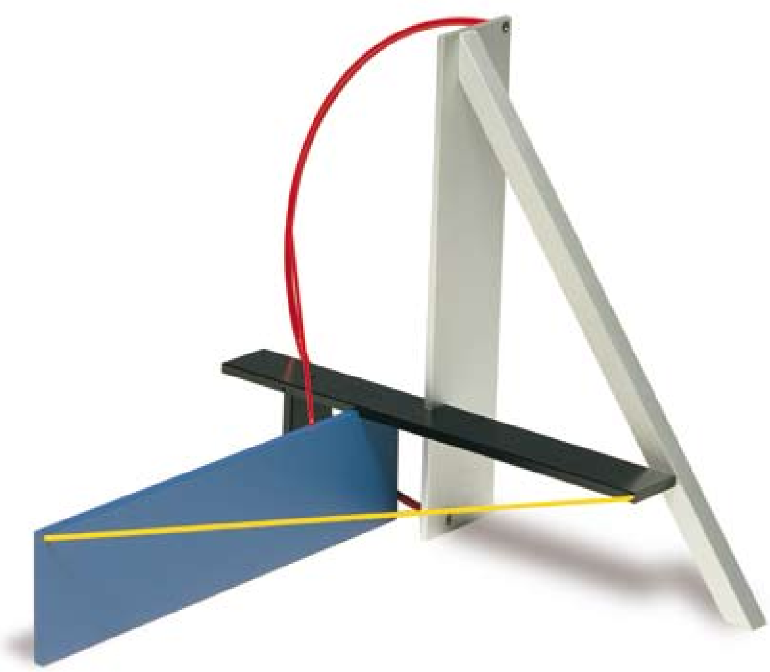
(in euros)

	12.31.2008	12.31.2007
Operating Activities		
1. Operations	**38,973,246**	**33,473,837**
profit for the year	28,209,217	24,111,037
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 on receivables	7,000,000	5,610,368
impairment losses/reversals on property, plant and equipment and intangible assets	2,146,500	2,121,999
net charge to provisions and other costs/revenues	1,617,529	707,882
unpaid indirect taxes and duties	-	922,551
impairment losses/reversals of groups of assets held for sale net of tax effect	-	-
other	-	-
2. Cash Flows from/used by Financial Assets	**225,170,654**	**24,902,291**
financial assets held for trading	(1,375,935)	318,307
financial assets designated at fair value through profit or loss	-	-
available-for-sale financial assets	-	-
due from banks: on demand	258,224,635	(28,003,347)
due from banks: other	-	-
due from customers	(35,123,666)	85,993,764
other assets	3,445,620	(33,406,433)
3. Cash Flows from/used by Financial Liabilities	**203,209,467**	**4,220,031**
due to banks: on demand	97,286,131	9,625,763
due to banks: other	-	-
due to customers	75,275,149	(2,195,202)
securities issued	(7,900,000)	(8,800,000)
financial liabilities held for trading	6,819,621	5,709
financial liabilities designated at fair value through profit or loss	-	-
other liabilities	31,728,566	5,583,761
Net Cash Flows from/used in Operating Activities	**17,012,059**	**12,791,577**
Investing Activities		
1. Cash Flows from		
sale of investments	-	-
sale of financial assets held to maturity	-	-
sale of property, plant and equipment	-	-
sale of intangible assets	-	-
2. Cash Flows used in	**(1,712,248)**	**(1,749,710)**
purchase of investments	-	-
purchase of financial assets held to maturity	-	-
purchase of property, plant and equipment	(1,415,524)	(1,216,748)
purchase of intangible assets	(296,724)	(532,962)
Net Cash Flows from/used in Investing Activities	**(1,712,248)**	**(1,749,710)**
Financing Activities		
sale/purchase of treasury shares	-	-
share capital increase	-	-
dividends paid and other	(15,300,000)	(11,040,000)
Net Cash Flows from/used in Financing Activities	**(15,300,000)**	**(11,040,000)**
Net increase in Cash and Cash equivalents	**(189)**	**1,867**

Riconciliation

(in euros)

	12.31.2008	12.31.2007
Cash and cash balances at beginning of year	13,701	11,834
Net increase (decrease) in cash and cash balances during the year	(189)	1,867
Cash and cash balances at end of year	13,512	13,701



FARMAFACTORING SPA

Dalla collezione Fondazione Farmafactoring

Gianfranco Pardi
Costruzione con la lettera A, 1987
Metallo verniciato, 40x30x20 cm

Notes to the financial statements

To the Shareholders,
The notes are arranged as follows:

1. Part A - Accounting Policies
2. Part B - Balance Sheet
3. Part C - 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 - Accounting Policies

A.1 - General information

Section 1 - Statement of compliance with international accounting principles
The financial statements have been prepared in accordance with the international accounting principles IAS/IFRS issued by the IASB, endorsed by the European Commission, as established in EC Regulation 1606 of July 19, 2002 which deals with the coming into force of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as well as the relative interpretations (IFRIC) endorsed by the European Commission and in effect at the financial statement 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 of 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.

Main 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 subsequent to the balance sheet date such as to require an adjustment to the results of the financial statements for the year ended December 31, 2008.

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, on 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.

Control of accounting

The shareholders' meeting held on April 28, 2006 appointed PricewaterhouseCoopers S.p.A. for the control of accounting 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.

A.2.2. 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 commissions 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 past due 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 and 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 individual 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 takes 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 to the extent that it is probable that there will be future taxable income against which the deductible temporary difference can be utilized.

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 - Balance Sheet

All amounts are expressed in thousands of euros

Assets

Section 1 - Cash and cash balances - caption 10
Euros 14

Cash and cash balances are represented by the cash fund and the liquidity on the postal account. There are no significant changes compared to December 31, 2007.

Section 2 - Financial assets held for trading - caption 20
Euros 0

2.2 - Derivative financial instruments

Types/Underlying	Interest rate	Currency	Equity securities	Other	Total 12.31.2008	Totale 12.31.2007
1. Listed						
Futures						
Forward contracts						
Forward rate agreements						
Swaps						
Options						
Other						
Other derivatives						
Total						
2. Unlisted						
Forward contracts						
Forward rate agreements						
Swaps	0				0	1,376
Options						
Other						
Other derivatives						
Total	0				0	1,376
Total	**0**				**0**	**1,376**

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

Items/Amounts	12.31.2008		12.31.2007	
	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		0		1,376
b. Financial institutions				
c. Other issuers				
Total		**0**		**1,376**

2.4 - Financial assets held for trading: annual changes

Changes/Types	Debt securities	Equity securities	Quotas of UCITS	Financing	Impaired assets	Derivative instruments	Total
A. Beginning balance						**1,376**	**1,376**
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						1,376	1,376
D. Ending balance						**0**	**0**

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 12.31.2007)

Head office	Bologna - Strada Maggiore n. 34
Share capital	5,345,328
Equity	5,146,893
Profit for the year	482,890

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

Items/Amounts	12.31.2008		12.31.2007	
	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	12.31.2008		12.31.2007	
	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

Changes/Types	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 1,789,760

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

6.1 Due from banks
Euros 313,064

Due from banks includes Euros 313,064 of current account balances with banks at December 31, 2008.
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.

Breakdown	12.31.2008	12.31.2007
1. Deposits and current accounts	313,064	41,394
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	0	13,446
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	**313,064**	**54,840**
Total fair value	**313,064**	**54,840**

6.3 Due from financial institutions
Euros 1,275

Due from financial institutions refers to the "deferred price" reserve on the sale of receivables during the year to the vehicle company Justine Capital S.r.l.; the deferred price will be collected, as established in the contract, by 2009.
The sale refers to receivables from the ASLs and AOs of the Lazio Region for Euros 127 million and is an integral part of the Regional Agreements that Farmafactoring concluded with the Region in 2008.

Breakdown	12.31.2008	12.31.2007
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	1,275	1
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	**1,275**	**1**
Total fair value	**1,275**	**1**

6.5 Due from customers
Euros 1,475,421

The composition 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, measured at amortized cost with a balance of Euros 1,452,887. Non-recourse receivables are mainly purchased when already past due and the principal portion of the receivables is deemed collectible;
• receivables from assignors for advances on receivables with recourse for Euros 2,438;
• receivables for advances and commissions to be invoiced to assignors for Euros 5,030;
• receivables from assignors for legal fees to be recovered for Euros 2,110;
• receivables for interest on late payments invoiced to December 31, 2008 amounting to Euros 148,897, entirely written off by a charge to the provision for interest on late payments for the same amount;
• impaired assets amount to Euros 12,950 and include past due receivables, non-performing receivables and receivables purchased below nominal amount.

Past due receivables which amount to Euros 4,753 mainly consist of exposures to central administrations and central banks that are considered past due when the "debtor has not made any payment for any of the positions owed to the financial intermediary for more than 180 days".

Non-performing receivables include all doubtful uncollectible receivables, net of the writedowns for estimated losses on receivables and amount to Euros 6,410 at December 31, 2008 as presented in the following table:

(in thousands of euros)

	Gross amount 12.31.2008	Impairment loss	Net amount 12.31.2008
Receivable from Enterprise	602	(602)	0
Receivables from assigned debtors (Enterprise bankruptcy)	6,263	(5,008)	1,255
Receivable from Fondazione Ordine Mauriziano	10,970	(6,500)	4,470
Receivable from Az. Università Policlinico Umberto I	1,185	(500)	685
	19,020	**(12,610)**	**6,410**

In 2007, with regard to the bankruptcy of Enterprise Digital Architects S.p.A., estimated losses amounted to Euros 5.6 million which were recorded in a provision that was directly deducted from the receivables for the same amount.

On the basis of internal assessments and the advice of an external legal advisor, the estimated risk for 2007 has not changed, whereas for 2008, estimated losses on specific receivables amount to a total of Euros 7 million.

With regard to the procedure for the forced liquidation of the entity Fondazione Ordine Mauriziano of Turin, estimated losses amount to Euros 6.5 million.

As for liquidation management procedure for the entity Azienda Universitaria Policlinico Umberto I of Rome, estimated losses amount to Euros 0.5 million.

Legal action has been taken with the aim of accelerating credit recovery, although no adjustment has been made to receivables at December 31, 2008, as regards principal, in view of the solvency of the debtors.

Non-recourse receivables purchased for an amount below the nominal amount recorded for the total effectively paid at the time of purchase are Euros 1,787.

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 2008, the realizable value of receivables purchased other than at the nominal amount is equal to Euros 121.

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

Breakdown	**12.31.2008**	**12.31.2007**
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	2,438	2,626
- receivables from assigned debtors	1,452,887	1,503,006
3. Consumer credit		
4. Credit cards		
5. Other financing	5,030	6,182
of which: from guarantees and commitments		
6. Securities		
7. Other assets	2,116	2,213
8. Assets sold and not derecognized		
8.1. fully recognized		
8.2. partly recognized		
9. Impaired assets		
- Finance lease		
- Factoring	12,950	3,518
- Consumer credit		
- Credit cards		
- Other financing		
Total carrying amount	**1,475,421**	**1,517,545**

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 past due 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.

6.7 Receivables: assets guaranteed
Euros 3,461

	12.31.2008			12.31.2007		
	Due from banks	Due from financial institut ions	Due from customers	Due from banks	Due from financial institut ions	Due from customers
1. Performing assets guaranteed by:						
- Assets under finance leases						
- Receivables from assigned debtors			3,461			3,282
- Mortgages						
- Liens						
- Personal guarantees						
- Derivatives on receivables						
2. Impaired assets guaranteed by:						
- Assets under finance leases						
- Receivables from assigned debtors						
- Mortgages						
- Liens						
- Personal guarantees						
- Derivatives on receivables						
Total			**3,461**			**3,282**

Section 10 - Property, plant and equipment - caption 100

10.1 Breakdown of caption 100 "Property, plant and equipment"
Euros 16,212

	12.31.2008		12.31.2007	
	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	10,183		10,815	
c. furniture and fixtures	385		420	
d. for own use	1,959		1,733	
e. other				
1.2 purchased under finance leases				
a. land				
b. buildings				
c. furniture and fixtures				
d. for own use				
e. other				
Total 1	**16,212**		**16,653**	
2. Assets 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	**16,212**		**16,653**	
Total (Assets at cost and Assets at fair value)	**16,212**		**16,653**	

10.2 Property, plant and equipment: annual changes

	Land	Buildings	Furniture and fixtures	For own use	Other	Total
A. Beginning balance	**3,685**	**10,815**	**420**	**1,733**		**16,653**
B. Increases						
B.1 Purchases		453	75	888		1,416
B.2 Impairment reversals						
B.3 Positive fair value changes allocated to:						
equity						
income statement						
B.4 other changes						
C. Decreases						
C.1 Sales						
C.2 Depreciation		(1,085)	(110)	(662)		(1,857)
C.3 Impairment losses 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**	**10,183**	**385**	**1,959**		**16,212**

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 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 636

	12.31.2008		12.31.2007	
	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	636		630	
2.2 purchased under finance leases				
Total 2	**636**		**630**	
3. Assets purchased under 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	**636**		**630**	
Total (1+2+3+4)				
Total (Assets at cost and Assets at fair value)	**636**		**630**	

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	**630**
B. Increases	
B.1 Purchases	296
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	(290)
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	**636**

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

12.1 Breakdown of caption 120 "Tax assets: current and deferred"
Euros 21,445

	12.31.2008	12.31.2007
a) Current tax assets:		
IRAP on-account payments	2,804	2,100
IRES on-account payments	13,583	12,390
Other		
Current tax assets	*16,387*	*14,490*
b) Deferred tax assets:		
Deferred tax assets	*5,058*	6,073
Deferred tax assets	*5,058*	*6,073*
Total tax assets	**21,445**	**20,563**

Deferred tax assets mainly refer to taxed charges to provisions.

12.2 Breakdown of caption 70 "Tax liabilities: current and deferred"
Euros 26,346

	12.31.2008	12.31.2007
a) Current tax liabilities:		
Prior year residual amount	244	161
Ires and Irap charge	14,633	15,252
Current tax liabilities	*14,877*	*15,413*
b) Deferred tax liabilities	11,469	11,499
Total tax liabilities	**26,346**	**26,912**

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

	12.31.2008	12.31.2007
1. Beginning balance	**6,073**	**7,589**
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	1,333	1,341
d) other		
2.2 New income taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax assets cancelled during the year		
a) reversals	(2,341)	(1,995)
b) writedowns due to non-recoverability		
c) due to change in accounting policies		
3.2 Reductions in tax rates	(7)	(862)
3.3 Other decreases		
4. Ending balance	**5,058**	**6,073**

The decreases mainly refer to the residual amount of deferred taxes recorded in 2004 in respect of financial expenses connected with the receivables securitization transaction with FL Finance S.r.l. which amounted to Euros 2,263 at December 31, 2007. Such expenses were cancelled as a result of the early closing of the transaction by the Lazio Region.

12.4 Change in deferred tax liabilities (corresponding entry in the income statement)

	12.31.2008	12.31.2007
1. Beginning balance	**11,499**	**13,342**
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	0	1,789
2.3 Other increases		
3. Decreases		
3,1 Deferred tax liabilities canceled during the year		
a) reversals	(31)	(1,853)
b) due to change in accounting policies		
c) other		
3.2 Reductions in tax rates		(1,779)
3.3 Other decreases		
4. Ending balance	**11,468**	**11,499**

Section 14 - Other assets - caption 140

14.1 Breakdown of caption 140 "Other assets"
Euros 3,909

	12.31.2008	12.31.2007
Security deposits	19	12
Advances with suppliers	0	2
Accrued income and prepaid expenses	3,514	2,388
Other receivables	376	217
Total	**3,909**	**2,619**

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

Liabilities and equity

Section 1 - Payables - caption 10
Euros 1,585,484

1.1. Due to banks
Euros 1,476,262

Items	12.31.2008	12.31.2007
1. Repurchase agreements		
2. Financing	1,476,262	1,378,976
3. Other amounts due		
Total	**1,476,262**	**1,378,976**
Fair value	**1,476,262**	**1,378,976**

Due to banks refers to amounts due to banking institutions.

1.3 Due to customers
Euros 109,222

Items	12.31.2008	12.31.2007
1. Repurchase agreements		
2. Financing		
3. Other amounts due	109,222	33,947
Total	**109,222**	**33,947**
Fair value	**109,222**	**33,947**

Section 2 - Securities issued - caption 20

2.1 Breakdown of caption 20 "Securities issued"
Euros 0

Liabilities	12.31.2008		12.31.2007	
	Carrying amount	Fair Value	Carrying amount	Fair Value
1. Listed securities				
bonds				
other securities				
2. Unlisted securities				
bonds				
other securities	0	0	7,900	7,900
Total	**0**	**0**	**7,900**	**7,900**

Section 3 - Financial liabilities held for trading - caption 30

3.1 Breakdown of caption 30 "Financial liabilities held for trading"
Euros 6,825

Items/Amounts	12.31.2008		12.31.2007	
	Fair value	Nominal/ notional amount	Fair value	Nominal/ notional amount
1. Payables				
2. Securities issued				
bonds				
other securities				
3. Derivatives	**6,825**	**337,000**	**6**	**20,000**
Total	**6,825**	**337,000**	**6**	**20,000**

Section 7 - Tax liabilities - caption 70

For information on this section, see Section 12 of Assets.

Section 9 - Other liabilities - caption 90

Euros 48,527

9.1 Breakdown of caption 90 "Other liabilities"

	12.31.2008	12.31.2007
Payables to suppliers and invoices to be received	5,905	5,719
Payables to the tax authorities	354	435
Payables to social securities agencies	233	193
Payables to employees	1,715	1,003
Payables for receivables management	14,262	2,312
Collections pending allocation	5,633	2,861
Accrued liabilities and deferred income	1,529	2,434
Other payables	18,896	1,275
Total	**48,527**	**16,232**

Collections pending allocation are higher than the prior year owing to higher collections in the first few days of 2009 referring to 2008.
Other payables include about Euros 14.5 million relating to collections on receivables purchased in the following year.

Payables for receivables management also include purchases of receivables in December 2008 that were paid to the assignor in the first few days of 2009.

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 827

10.1 "Employee severance indemnities": annual changes

	Total 12.31.2008	Total 12.31.2007
A. Beginning balance	**868**	**1,092**
B. Increases		
B.1 Charge for the year	188	208
B.2 Other increases		
C. Decreases		
C.1 Payments made	(44)	(22)
C.2 Other decreases	(185)	(410)
D. Ending balance	**827**	**868**

10.2 "Other information"

The liability recognized in the financial statements at December 31, 2008 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 4,822

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

	12.31.2008	12.31.2007
Pension funds and similar obligations	3,820	2,562
Other provisions	1,002	602
Total	**4,822**	**3,164**

11.2 "Provisions for risks and charges": annual changes

	12.31.2008	12.31.2007
Beginning balance	**3,164**	**2,233**
Increases		
B.1 Charge for the year	1,868	1,632
Decreases		
Use during the year	(210)	(701)
Ending balance	**4,822**	**3,164**

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 of utilization and the amount available for distribution and their utilization in the three years previous to the date of the preparation of the financial statements.

	12.31.2008	Possibility of utilization (a)	Amount available	Summary of utilization in the last three years	
				Absorption of losses	For other reasons
Share capital	90,100				
Reserves:	16,640				
Legal reserve	7,997	B			
Extraordinary reserve	88	A,B,C	88		
Retained earnings	8,555	A,B,C	8,555		*25,100 (*)*
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	**130,962**		**30,069**	**0**	**25,100**

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

(*) In the previous three years, "Retained earnings" were used to increase share capital which went from Euros 65,000 in 2005 to Euros 90,100 in 2008.

12.1 Breakdown of caption 120 "Share capital"
Euros 90,100

	Amount
1. Share capital	
1.1 Ordinary shares	90,100
1.2 Other shares (to specify)	

Share capital consists of 1,700,000 ordinary shares of par value Euros 53 each.
The shareholders, in the special meeting held on April 23, 2008, passed a resolution to increase share capital from Euros 85,000 to Euros 90,100 in the form of a free 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	**6,791**	**6,050**	**88**	**12,929**
B. Increases				
B.1 Appropriation of profit	1,206	7,605		8,811
B.2 Other changes				0
C. Decreases				
C.1 Use for the year				
- absorption of losses				0
- distribution				0
- transfer to share capital		(5,100)		(5,100)
C.2 Other changes				0
D. Ending balance	**7,997**	**8,555**	**88**	**16,640**

Legal reserve

The increase in the legal reserve of Euros 1,206 compared to the end of the prior year is due to the appropriation of the profit for the year ended December 31, 2007, as approved by the shareholders' meeting held on April 23, 2008.

Other reserves

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

Retained earnings

The increase in retained earnings of Euros 7,605 compared to the end of the prior year is due to the appropriation of the profit for the year ended December 31, 2007, as approved by the shareholders' meeting held on April 23, 2008. The decrease of Euros 5,100 refers to the appropriation to increase share capital from Euros 85,000 to Euros 90,100 from retained earnings, as approved by the special shareholders' meeting held on April 23, 2008.

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 - 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 144,757

Items/Technical forms	Debt securities	Financing	Impaired assets	Other	12.31.08	12.31.07
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*		3,566			3,566	1,451
5.2 Due from financial institutions						
- *for finance leases*						
- *for factoring*						
- *for guarantees and commitments*						
- *for other*				540	540	393
5.2 Due from customers						
- *for finance leases*						
- *for factoring*		97,054			97,054	81,956
- *for guarantees and commitments*						
- *for other*				41,472	41,472	27,567
6. Other assets				103	103	155
7. Hedging derivatives				2,022		1,119
Total	**-**	**100,620**	**-**	**44,137**	**144,757**	**112,641**

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 97,054 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 the estimated cash flows. Maturity commissions in 2008 increased by approximately Euros 15 million compared to 2007 mainly as a result of the effect of the increase in non-recourse purchases and relative collections.

Interest "due from customers" for "other" includes Euros 39,363 of interest for late payments collected during the year. Compared to the prior year, Euros 17,017 more interest was collected.

1.3 Breakdown of caption 20 "Interest and similar charges"
Euros 76,642

Items/Technical forms	Financing	Securities	Other	2008	2007
1. Due to banks	67,628		1,511	69,139	52,808
2. Due to financial institutions			6,379	6,379	6,701
3. Due to customers	0		1,124	1,124	1,188
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	**67,628**	**-**	**9,014**	**76,642**	**60,697**

Interest due to banks relates to loans received from the banking system; the increase compared to the prior year is Euros 16,331.

Interest due to customers includes 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.

Interest due to financial institutions for Euros 6,378 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 11,558

	2008	2007
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	11,556	12,163
8. servicing for securitization transactions	2	2
9. other fees and commissions (to specify)		
Total	**11,558**	**12,165**

2.2 Breakdown of caption 40 "Fee and commission charges"
Euros 231

	2008	2007
1. Guarantees received		
2. Distribution of services by third parties		
3. Collection and payment services		
4. Other commissions	231	465
Total	**231**	**465**

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

Euros 8,195

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

Items/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			(8,195)		(8,195)
Total			**(8,195)**		**(8,195)**

Reconciliation of changes in derivative instruments

Financial assets held for trading	Carrying amount	Change
Amount at 12.31.2007	1,376	
Amount at 12.31.2008	0	(1,376)
Financial liabilities held for trading		
Amount at 12.31.2007	6	
Amount at 12.31.2008	6,825	(6,819)
Profit (loss) on trading		**(8,195)**

Section 8 - Gain/loss on sale or repurchase - caption 100

8.1 Breakdown of caption 100 "Gain/loss on sale or repurchase"
Euros 1,361

Items/Income components	2008			2007		
	Gain	Loss	Net	Gain	Loss	Net
1. Financial assets						
1.1 Receivables						
1.2 Available-for-sale assets						
1.3 Assets held to maturity						
1.4 Other financial assets	1,361		1,361	0		0
Total (1)	**1,361**		**1,361**	**0**		**0**
2. Financial liabilities						
2.1 Payables						
2.2 Securities issued						
2.3 Other financial payables						
Total (2)						
Total (1+2)	**1,361**		**1,361**	**0**		**0**

Section 9 - Impairment losses/reversals - caption 110

9.1 Breakdown of caption 110.a "Impairment losses/reversals on receivables"
Euros 7,000

	Impairment losses		Impairment reversals		2008	2007
Items/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	7,000				7,000	5,610
- for consumer credit						
- guarantees and commitments						
- other						
Total	7,000	-	-	-	7,000	5,610

Section 10 - Administrative expenses - caption 120

10.1 Breakdown of caption 120.a "Personnel costs"
Euros 7,792

	2008	2007
1. Employees		
a. wages and salaries	4,828	4,018
b. social security charges	1,501	1,287
c. employee severance indemnity charges		
d. pension charges		
e. termination indemnities charges	272	61
f. other expenses	509	521
2. Other employees		
3. Directors	682	707
Total	7,792	6,594

10.2 Breakdown of caption 120.b "Other administrative expenses"
Euros 12,601

	2008	2007
Legal fees	3,025	2,065
IT costs	400	370
Outside receivables management services	813	783
Compensation to statutory auditors and Sup. Board	62	55
Legal fees for receivables under management	1,260	1,127
Notary fees	527	447
Notary fees to be recovered	48	33
Corporate hospitality and donations	723	738
Maintenance expenses	989	914
Non-deductible VAT	1,321	1,171
Other indirect taxes and duties	79	80
Consulting fees	1,491	1,725
Office operating expenses	516	511
Other expenses	1,347	1,353
Total other administrative expenses	**12,601**	**11,372**

This caption includes legal and notary fees (Euros 1,260) 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 1,857

Items/Impairment losses and reversals	Depreciation	Impairment losses	Impairment reversal	Net result
1. Property plant and equipment				
1.1 owned				
a. land				
b. buildings	1,085			1,085
c. furniture and fixtures	110			110
d. for own use	662			662
e. other				
1.2 purchased under finance leases				
a. land				
b. buildings				
c. furniture and fixtures				
d. for own use				
e. other				
2. Assets purchased under finance leases				
3. Assets held for investment				
of which, granted under operating leases				
Total	**1,857**	**-**	**-**	**1,857**

Section 12 - Net adjustments to intangible assets - caption 140

12.1 Breakdown of caption 140 "Net adjustments to intangible assets"
Euros 290

Items/Impairment losses and reversals	Amortization	Impairment losses	Impairment reversals	Net result
1. Goodwill				
2. Other intangible assets				
2.1 owned	290			290
2.2 purchased under finance lease				
3. Assets purchased under finance leases				
4. Assets granted under operating leases				
Total	**290**	**-**	**-**	**290**

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 1,869

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

	2008	2007
Provision for pension funds and similar obligations	1,452	1,223
Other provisions	417	410
Total	**1,869**	**1,633**

The charges to the Provision for pension funds and similar obligations refer to the accrual for employee benefit obligations.

Section 15 - Other operating expenses - caption 170

15.1 Breakdown of caption 170 "Other operating expenses"
Euros 181

	2008	2007
Prior period items	56	45
Donation of art works	0	0
Rounding and rebates	125	116
Other	0	0
Total other operating expenses	**181**	**161**

Section 16 - Other operating income - caption 180
Euros 2,807

16.1 Breakdown of caption 180 "Other operating income"

	2008	2007
Recovery of legal fees for purchases of non-recourse receivables	932	970
Recovery of legal fees for credit management of receivables	1,260	1,127
Receivables realized at amounts other than the nominal amount	121	189
Prior period items	369	132
Assignor notary expenses	48	33
Other recovered expenses	77	121
Total	**2,807**	**2,572**

Section 19 - Income taxes for the year - caption 210

19.1 Breakdown of caption 210 "Income taxes for the year"
Euros 15,617

	2008	2007
1. Current income taxes	14,633	15,252
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	1,016	1,516
5. Change in deferred tax liabilities	(32)	(1,844)
Income taxes for the year	**15,617**	**14,924**

19.2 Reconciliation of theoretical tax and effective tax charge

Component	IRES	IRAP
Taxable income used for tax calculations	42,843	57,220
Theoretical tax charge 27.5% IRES - 4.82% IRAP	**11,782**	2,758
Non-deductible permanent differences	2,638	
Deductible IRAP	(342)	
Temporary differences taxable in future years	5,598	(1,742)
Reversal of temporary differences from future years	(7,246)	
Taxable income	**43,491**	**55,478**
Current income taxes for the year: 27.5% IRES - 4.82% IRAP	**11,960**	**2,674**

Section 21 - Other information - Income statement

21.1 Analytical breakdown of interest income and fee and commission income

	Interest income			Fee and commission income			2008	2007
Items/Counterparty	**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			97,054				97,054	81,956
- On receivables purchased below original amount								
- For other loans	5,587	642	41,474			11,558	59,261	42,849
3. Consumer credit								
- Personal loans								
- Specific loans								
- Garnishing of one-fifth								
4. Guarantees and commitments								
- Commercial nature								
- Financial nature								
Total	**5,587**	**642**	**138,528**	**-**	**-**	**11,558**	**156,315**	**124,805**

• Interest income from “customers” for factoring amounts to Euros 97,054 and consists of fees and commissions charged to assignors for the purchase of non-recourse receivables.
• Interest income “for other loans” amounts to Euros 41,397 and includes late interest collected during the year for Euros 39,363.
• Fee and commission income from “customers” amounts to Euros 11,558 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

Item	12.31.2008			12.31.2007		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
1. Performing assets						
- Receivables from assignors	2,438		2,438	2,626		2,626
- Receivables from assigned debtors	1,452,887		1,452,887	1,503,005		1,503,005
2. Impaired assets						
2.1 non-performing						
- Receivables from assignors	602	(602)	0	602	(602)	0
- Receivables from assigned debtors	18,418	(12,008)	6,410	6,711	(5,008)	1,703
2.2 problem						
- Receivables from assignors						
- Receivables from assigned debtors						
2.3 restructured						
- Receivables from assignors						
- Receivables from assigned debtors						
2.4 past due						
- Receivables from assignors						
- Receivables from assigned debtors	6,540		6,540	1,815		1,815
Total	**1,480,885**	**(12,610)**	**1,468,275**	**1,514,759**	**(5,610)**	**1,509,149**

• Receivables from assignors amount to Euros 2,438 and refer to advances on receivables with recourse.
• In the table above, Performing assets include Receivables from assigned debtors for Euros 1,452,887.
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 include past due receivables, non-performing receivables and also receivables purchased below nominal amount.

The definitions of past due and impaired assets for accounting purposes coincide with those under the regulation relating to Circular 216 of August 5, 1996 (7th update of July 9, 2007).

In particular, the exposures to central administrations and central banks, public sector entities and territorial entities are considered past due when the "debtor has not made any payment for any of the positions owed to the financial intermediary for more than 180 days".

Non-performing assets include all doubtful uncollectible receivables, net of the writedowns for estimated impairment losses on receivables.

In 2007, with regard to the bankruptcy of Enterprise Digital Architects S.p.A., estimated losses amounted to Euros 5.6 million which were recorded in a provision that was directly deducted from the receivables for the same amount.
On the basis of internal assessments and the advice of an external legal advisor, the estimated risk for 2007 has not changed, whereas for 2008, estimated losses on specific receivables amount to a total of Euros 7 million, of which: Euros 6.5 million refers to the forced liquidation of the entity Fondazione Ordine Mauriziano of Turin and Euros 0.5 million to the liquidation management procedure for the entity Azienda Universitaria Policlinico Umberto I of Rome.

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, 2008 is Euros 1,787.
These assets are considered impaired in accordance with Bank of Italy regulations even though the company has never recognized losses on these receivables. In 2008, the realizable value of receivables purchased other than at the nominal amount is equal to Euros 121.

Contrary to the considerations made on impaired assets (non-performing receivables), non-recourse receivables purchased for Euros 1,452,887 are considered performing and therefore classified as performing receivables.

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

B.2.1 - Advances

	12.31.2008			12.31.2007		
	Total exposure			Total exposure		
Item	Gross amount	Impairment loss	Net amount	Gross amount	Impairment loss	Net amount
1. Performing assets						
- on with recourse factoring	2,438	0	2,438	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 past due						
- on with recourse factoring						
- on non-recourse factoring						
- on sales of future receivables						
- for other financing						
Total	**2,438**	**-**	**2,438**	**2,626**	**-**	**2,626**

B.2.2 - Consideration

Item	12.31.2008 Consider. paid	12.31.2008 Total exposure Gross amount	12.31.2008 Total exposure Impairment loss	12.31.2008 Total exposure Net amount	12.31.2007 Consider. paid	12.31.2007 Total exposure Gross amount	12.31.2007 Total exposure Impairment loss	12.31.2007 Total exposure Net amount
Non-recourse factoring								
1. Performing assets								
2. Impaired assets								
2.1 non-performing								
2.2 problem								
2.3 restructured								
2.4 past due								
Other sales								
1. Performing assets								
- for non-recourse receivables purchased	1,452,887	1,452,887		1,452,887	1,503,005	1,503,005		1,503,005
2. Impaired assets								
2.1 non-performing								
- for non-recourse receivables purchased	19,020	19,020	(12,610)	6,410	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 past due								
- for non-recourse receivables purchased	4,753	4,753		4,753				
- for receivables below original amount	1,787	1,787		1,787	1,815	1,815	-	1,815
Total	**1,478,447**	**1,478,447**	**(12,610)**	**1,465,837**	**1,512,133**	**1,512,133**	**(5,610)**	**1,506,523**

B.3 - Classification of receivables sold

B.3.1 - Receivables sold by with recourse receivables factoring

	Banks		Financial institutions		Customers	
	Total 12.31.08	Total 12.31.07	Total 12.31.08	Total 12.31.07	Total 12.31.08	Total 12.31.07
Amount					3,461	3,282
Time frame						
To 3 months						
3 months to 1 year						
1 year to 5 years						
After 5 years						
Unspecified term					3,461	3,282
Total					**3,461**	**3,282**

B.3.2 - Receivables sold by non-recourse receivables factoring and other sales

	Banks		Financial institutions		Customers	
	Total 12.31.08	Totale 12.31.07	Totale 12.31.08	Totale 12.31.07	Totale 12.31.08	Totale 12.31.07
Type						
Non-recourse factoring						
Non-recourse receivables purchased					1,464,050	1,504,708
Receivables below original amount					1,787	1,815
Total					**1,465,837**	**1,506,523**
Time frame						
To 3 months						
3 months to 1 year						
1 to 5 years						
After 5 years						
Unspecified term					1,465,837	1,506,523
Total					**1,465,837**	**1,506,523**

B.4 - Impairment losses

Item	Balance 12.31.2007	Increases	Decreases	Balance 12.31.2008
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	7,000		12,008
- 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**	**7,000**	**0**	**12,610**

B.5 - Other information

B.5.1 - Turnover of receivables sold

(in millions of euros)

	2008	2007
1. With recourse factoring	3	3
2. Non-recourse factoring and other sales		
- Non-recourse factoring		
- Non-recourse receivables purchased	2,316	2,309
- Receivables purchased below original amount		1
Total	**2,319**	**2,313**

B.5.2 - Collection services only

Receivables referring to credit collection services only taken on in 2008 amount to Euros 2,328 million.

B.5.3 - Original amount of receivables purchased below original amount
Euros 1,787

The original amount of receivables purchased below original amount totals Euros 5,831.

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
	1,464,050	1,464,050		
Total	**1,464,050**	**1,464,050**	**0**	**0**

Section 2 - Securitization transactions

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

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

QUALITATIVE INFORMATION

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 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 office; in fact, the company provides the Bank of Italy with six-monthly reports written by the Internal Auditing office 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 from 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.

On October 29, 2004, Farmafactoring, after having reached a framework agreement with the Lazio Region, put into place a securitization transaction (under ex Law 130/99) for the receivables from the regional ASLs and AOs, selling them to the vehicle company FL Finance S.r.l..
As part of this transaction, the company had issued 193,259 asset-backed floating rate notes, for a nominal amount of Euros 1,000 each, due in June 2009, for a total of Euros 193,259,000.

The securitization transaction was terminated in advance upon signing the Termination Agreement on September 30, 2008, instead of at June 15, 2009, as established in the Amortization Plan indicated in the Offering Circular.
The Lazio Region had asked to terminate the transaction in order to meet its obligation to extinguish the health debt contracted up to December 31, 2005, by December 31, 2008.
On October 1, 2008, the Italian paying agent paid the notes in full.

QUANTITATIVE INFORMATION

Type of financial instruments held
Farmafactoring does not hold any financial instruments connected with 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 214,172,848. The remaining amount of the receivables at December 31, 2008 as a result of the early repayment by the Lazio Region, mentioned previously, is now equal to zero.
In 2008, the installments collected as the servicer amount to Euros 64,249,854.

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

QUALITATIVE INFORMATION

Strategies, processes and objectives
The activities with Justine Capital S.r.l. were put into place to diversify funding; a contractual amount was agreed for Euros 400 million.
The transaction commenced in August 2006 when a framework agreement was signed. The contract called for the sale of revolving tranches of receivables from debtors that had longer collection times than the national average.
The total of the receivables sold under this transaction were equal to Euros 453 million for a total amount collected of Euros 435 million.
In 2008, sales were concluded for a total of Euros 141 million against collections of Euros 136 million.

Description of the risk profile
This transaction is considered a normal sales of receivables 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 INFORMATION

Type of financial instruments held
Farmafactoring does not hold any financial instruments connected with 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 INFORMATION

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

Description of the risk profile
This transaction is considered a normal sale of receivables 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 price and amount assigned
This transaction was concluded in April 2008 and involved the entire sale of the receivables, with an issue date up to December 31, 2007, from the health agencies of the Lazio Region.
The total of the receivables assigned under this transaction is equal to Euros 127 million for a total amount collected of Euros 126 million; the remaining amount will be paid, in accordance with the contract terms, as the deferred price reserve (equal to 1% of the amount of the receivable not later than the month of December 2009).

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 INFORMATION

Type of financial instruments held
Farmafactoring does not hold any financial instruments connected with 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 related risk hedging policies

SECTION 3.1 - CREDIT RISK

QUALITATIVE INFORMATION

1. General aspects

Factoring activities, governed by the Italian Civil Code (Book IV - Heading V, articles 1260-1267) and by Law 52 of February 21, 1992 and subsequent laws, 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 updates.

2.2 Management, measurement and control systems

Credit Risk

Beginning January 1, 2008, the financial intermediaries registered in the special list referred to in art. 107 TUB must comply with the regulation on prudential supervision set out in the 7th update of Circular 216 of August 5, 1996 issued by the Bank of Italy on July 9, 2007.

The assessment of credit risk is part of an overall analysis of the capital adequacy of the company in relation to the risks connected with lending.

With this in mind, the company uses the standardized approach for the measurement of credit risk. This approach involves the division of exposures in the various portfolios according to the nature of the counterparty and the application of diversified weighted coefficients to each portfolio.

In particular, for the "Central administrations and central banks" portfolio, the weighting depends on the rating assigned by the specialized credit assessment agencies, ECAI, or ECA, to the individual States; for the "supervised intermediaries" portfolio, the weighting depends on the rating of the State in which the supervised intermediary has its headquarters; for the "public sector entities" portfolio, the rules for weighting are the same as those for supervised intermediaries; for companies, the weighting is based on the specific rating of the company.

With regard to the assessment of regulatory capital and capital requirements, the credit assessment agency (ECAI) for exposures to central administrations and central banks recognized by Farmafactoring is Moody's Investor Service, with the "Unsolicited" type of rating, which attributes a 0% weighting to the State of Italy, and allows a 20% weighting to be applied to exposures to public sector entities.

Farmafactoring, since it does not receive deposits from the public, constantly maintains, as a capital requirement against credit risk, an amount of regulatory capital equal to at least 6% of the weighted exposure for credit risk.

$$\text{Capital requirement} = 6\% \text{ RWA}$$

The Risk-Weighted Amount is determined by the sum of the risk-weighted assets of the various portfolios.

The company has a Credit Regulation which describes the stages of the process which the regulations of the sector have 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 is reserved for the bodies that can provide approval.

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 of 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 be 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 the course of 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).

Regulatory capital, compared to 2007, increased by approximately 7%, from Euros 129 million to Euros 138 million at December 31, 2008. The breakdown is the following:

(in millions of euros)

	12.31.2008	12.31.2007	Change %
Tier 1 capital	115	106	8.49%
Tier 2 capital	24	24	0.00%
Deductions	*(1)*	*(1)*	*0.00%*
Total Regulatory Capital	*138*	*129*	*6.98%*
Risk-weighted assets	434	389	
Tier 1 capital ratio	*27%*	*27%*	
Total Capital Ratio	**32%**	**33%**	

3. Qualitative assessment of receivables

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; financial assets with a risk of loss were included in the non-performing category, while the remaining financial assets were considered in the performing category.

Performing receivables
The measurement of performing receivables includes receivables from the Public Administration for which, despite being past due more than 180 days, there are no objective elements indicating a loss at an individual or a collective level of the portfolio based upon a series of historical and internal statistics.
This representation is consistent with the method of measuring non-recourse receivables purchased at amortized cost which, in fact, is based on discounting estimated future cash flows according to an estimate of the time to collection.
In accordance with IAS 39, a collective assessment was carried out on performing receivables.

Non-performing receivables

In accordance with IAS 39, the company carried out an individual assessment of its receivables to identify any impairment of individual positions.

Non-performing assets are composed of non-performing receivables net of individual impairment losses for Euros 6.4 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 the aforementioned non-performing receivables, past due receivables and receivables purchased for an amount below the nominal amount recognized for the total effectively paid at the time of purchase, the balance of which is Euros 1,787.

Such assets are classified as impaired in accordance with Bank of Italy regulations even though the company has never recognized losses on these receivables. In 2008, the realizable value of receivables purchased other than at the nominal amount is equal to Euros 121.

Contrary to the considerations made on impaired assets (non-performing receivables), non-recourse receivables purchased for Euros 1,452,887 are considered performing and therefore classified as performing receivables.

Performing receivables also include receivables from the Public Administration past due 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 and 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 INFORMATION

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

Types/Exposure and amounts	Non-performing	Problem assets	Restructured assets	Past due assets	Other assets	Total
1. Financial assets held for trading					0	0
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					313,065	313,065
6. Due from financial institutions					1,275	1,275
7. Due from customers	6,410				1,469,011	1,475,421
8. Other assets						
9. Hedging derivatives						
12.31.2008	6,410	-	-	-	1,783,378	1,789,788
12.31.2007	1,703				1,572,051	1,573,754

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	19,020	(12,610)		6,410
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. Past due assets				
- Financing				
- Securities				
- Guarantees				
- Commitments to grant financing				
- Other assets				
Total A	**19,020**	**(12,610)**	**-**	**6,410**
B. Performing				
- Financing				
- Securities				
- Guarantees				
- Commitments to grant financing				
- Other assets				
Total B	**1,469,011**		**-**	**1,469,011**
Total (A+B)	**1,488,031**	**(12,610)**	**-**	**1,475,421**

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, 2008 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 INFORMATION

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 INFORMATION

1. Financial assets and liabilities by residual term (forecast date)

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							
1.2. receivables	443,603	115,092	355,253	620,087		255,725	**1,789,760**
1.3. other assets	0	0	0	0		27	**27**
2 Liabilities							
1.1. debt	624,105	98,500	413,079	449,800			**1,585,484**
1.2. securities issued	0	0	0	0			**0**
1.3. other liabilities	3	13	274	6,535			**6,825**
3. Derivatives							

The structure of the company's financing is represented by committed credit lines and ordinary credit lines.
The ordinary lines, equal to 41% of total credit lines, do not have fixed expiration dates and are used, according to treasury needs, on average within three months. At the same time, the structured credit lines with expiry dates between 18 and 36 months in part provide for the possibility of revolving drawdowns with drawdowns between one and six months renewable each time until the expiry of the contract.

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, continually, 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 office**, the responsibility for ensuring that the funding rate can be correlated to the lending 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, 2008, the balance of derivative hedging transactions is equal to Euros 347 million.

Contracts in place:

Hedging strategies

Type of transaction	Underlying Interest rates and debt securities			Residual term
	Notional amount	Fair value at 12.31.2008		
		Positive	Negative	
Caps	10,000			275
IRSs	160,000		3,020	586
Irs step-ups	37,000		149	313
Convertible swaps	140,000		3,656	870
Partial total			**6,825**	
Total	**347,000**		**(6,825)**	**618**

Hedging strategies follow the trend of the rates and expectations expressed by the market.
At December 31, 2008, the fair value of hedging instruments was negative for an amount of Euros 6,825, given the interest rate curve.

The fair value represents the value of an unlisted financial instrument. This value depends of the specific composition of the financial transaction and the structure of the market curves (rate curve and volatility curve) over time.
Each financial instrument structure, from the simplest to the most complex, can be separated or associated with one or more of the following listed below:
1) **fixed-rate component**, for which the cash flows generated by interest are calculated on the basis of the fixed rate, nominal amount and term. The fair value is equal to sum of the discounted flows using the discount factors calculated;
2) **variable-rate component**, for which the forward rates are calculated on the basis of the discount factors curve. The cash flows of interest are estimated on the basis of forward rates. The fair value is equal to the sum of the discounted cash flows;
3) **options (caps, floors, digitals)**, which are separated into single elementary components. The fair value of the single component is calculated using the Black’76 model. The fair value of the option is equal to the sum of the fair value of the single components.
This negative result is basically due to the sudden fall in rates beginning in October 2008 and is fully covered by the rate implicit in the lending transactions carried out during the same period.

3.2.2 Price risk

QUALITATIVE INFORMATION

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.

QUANTITATIVE INFORMATION

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 INFORMATION

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 office
- 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.
In January 2009, the company received a summons on the part of a former shareholder of Confarma who claims tort liability for having induced the company Eurospital to sells its investments at uneconomic terms. The alleged responsibility for this event regards Confarma: Farmafactoring only as the incorporating company.
According to a legal opinion obtained by the company there are no conditions existing which could be identified as a contingent liability for Farmafactoring.

Section 4 - Related party transactions

4.1. Information on compensation to directors and managers

- Compensation to directors Euros 600
- Compensation to the board of statutory auditors Euros 82

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

No guarantees have been provided on behalf of the directors and statutory auditors.

4.3. Information on related party transactions

Beginning in 2007, FF Holding S.p.A. (as the consolidating company) and Farmafactoring S.p.A. (as the subsidiary), after jointly opting to be to be taxed as a group, calculate the taxable profit on a consolidated basis pursuant to article 117 and subsequent articles of DPR 917 of December 22, 1986.
Tax assets and liabilities relating to the Ires income tax on companies shown in Section 12 refer to receivables and payables with the parent FF Holding S.p.A.

Section 5 - Other information
Information relating to the average number of employees by category is detailed in the Report on Operations under the comment on administrative expenses.

FARMAFACTORING SPA

Dalla collezione Fondazione Farmafactoring

Alik Cavaliere
FAVOLA DEL MAGO, 1978
Bronzo e ottone, 24x22x22 cm

Board of Statutory Auditors' Report

Board of Statutory Auditors' Report

on the Farmafactoring S.p.A. Financial Statements at December 31, 2008

To the shareholders,

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 control of accounting 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, 2008 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, we would like to inform you that the board:

- has proceeded with the customary exchange of information with the firm charged with the control of accounting pursuant to art. 2409 septies of the Italian Civil Code;

- 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 board in this report;

- has not issued opinions during the year pursuant to the law;

- has not received petitions or complaints pursuant to art. 2408 of the Italian Civil Code;

- has performed, during the year ended December 31, 2008, the ordinary activities of supervision required by law, according to the standards issued by the professional bodies and the Regulatory Authority;

- has monitored the development of internal control and risk management activities for the year 2008 and monitored the areas covered by such activities;

- has observed the activity carried out by the supervisory body nominated in compliance with Law 231/2001 and monitored the requirements of efficiency and indipendence related thereto;

- 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;

- has 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;

- has examined the report issued by the accounting control body which issued an unqualified opinion without qualifications;

- has been informed by the directors that the inspection performed by the Bank of Italy in the last quarter was generally positive and in line with the results of the previous inspection.

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

Balance sheet

Assets		1,832,004,555
Liabilities and equity		1,672,831,995
Share capital	90,100,000	
Legal reserve	7,996,359	
Other reserves	32,866,984	
		130,963,343
Profit for the year 2008		28,209,217
Liabilities and equity		1,832,004,555

Income statement

Revenues and other income	160,484,110
Costs	132,274,893
Profit for the year 2008	28,209,217
	160,484,110

The board of statutory auditors 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, 2008 and expresses a favorable opinion on the motion for the appropriation of profit proposed by the board of directors.

Milan, April 10, 2009

The Board of Statutory Auditors

Francesco Tabone

Luca Simone Fontanesi

Giancarlo Rizzani

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, 2008. Farmafactoring SpA's Directors are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and the Italian regulations implementing article 9 of Legislative Decree no. 38/2005. 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 7 April, 2008.

3 In our opinion, the financial statements of Farmafactoring SpA as of 31 December, 2008 comply with International Financial Reporting Standards 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.

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** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Firenze** 50129 Viale Milton 65 Tel. 055471747 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **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

4 The directors of Farmafactoring SpA are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements, as required by art. 2409-ter, paragraph 2, letter e), of the Italian Civil Code. For this purpose, we have performed the procedures required under Auditing Standard no. PR 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations is consistent with the financial statements of Farmafactoring SpA as of 31 December, 2008.

Milan, 10 April, 2009

PricewaterhouseCoopers SpA

Signed by

Marco Palumbo
(Partner)

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

Resolutions of the Ordinary and Special Sessions of the Shareholders' Meeting

The ordinary session of the shareholders' meeting, which met in first call on April 29, 2009, approved the financial statements for the year ended December 31, 2008, consisting of the balance sheet, income statement and notes to the financial statements, together with the board of directors' report on operations, acknowledged the report of the board of statutory auditors and the report of the audit firm, and appropriated the profit for the year of Euros 28,209,217 as follows:

- to the legal reserve, the amount of Euros 1,410,461;
- to dividends, the amount of Euros 11.00 for each of the 1,700,000 outstanding shares, equal to a total of Euros 18,700,000;
- to retained earnings, the remaining amount of Euros 8,098,756.

The ordinary session also passed resolutions:

- to elect, for the three years 2009, 2010 and 2011, for a term of office expiring upon approval of the financial statements for the year ended December 31, 2011, the board of directors, composed of seven members, in the persons of :
Marco Rabuffi - Chairman, Giancarlo Aliberti - Vice Chairman, Antonio Iantosca, Massimiliano Belingheri, Emanuele Antonio Bona, Gabriele Cipparrone and Giovanni Scacchi;

- to authorize the board of directors to invite three external observers without voting rights to the company's meetings of the board of directors, who in no case are considered as members of the board itself or another corporate board, in the persons of:
Andrea Scanavacca, Vincenzo Rallo and Nicolò Seghi Recli;

- to elect, for the three years 2009, 2010 and 2011, for a term of office expiring upon approval of the financial statements for the year ended December 31, 2011, the board of statutory auditors, in the persons of:
Francesco Tabone - Chairman, Luca Simone Fontanesi, Giancarlo Rizzani, Patrizia Paleologo Oriundi - Acting auditors, Eliano Tomasina - Alternate auditors;

- to confer, owing to the expiration of the mandate, the engagement for the audit of the company as expressed in article 2409 bis of the Italian Civil Code, to PricewaterhouseCoopers for the three years 2009, 2010 and 2011.

The special session of the shareholders' meeting held on the same date passed a resolution to increase share capital from Euros 90,100,000 to Euros 96,900,000, in the form of a free increase, by partly drawing from retained earnings, changing the par value of the shares from Euros 53.00 to Euros 57.00, with a consequent variation to art. 5 of the bylaws.

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