FARMAFACTORING SPA

Bilancio 2010 Annual Report

Annual Report 2010 26th Year

Sall 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 20, 2011 at 12:00, and, should it prove necessary, in second call, on April 21, 2011 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, 2010, the board of directors' report on operations and the board of statutory auditors report; respective and pertinent resolutions.

Special business

1. Bonus share capital increase from Euros 105,400,000 to Euros 110,500,000 by drawing from retained earnings, and possibly also modifying the par value of the shares; respective and pertinent resolutions;
2. Consequent change in art. 5 of the bylaws;
3. Proposed change to art. 21 of the bylaws.

Milan, March 25, 2011

On behalf of the Board of Directors
The Chairman
Marco Rabuffi

Contents

BOARD OF DIRECTORS

Chairman and Chief Executive Officer	Marco Rabuffi*
Vice Chairman	Giancarlo Aliberti*
Directors	Massimiliano Belingheri* Gabriele Cipparrone Federico Fornari Luswergh

* *members of the Executive Committee*

BOARD OF STATUTORY AUDITORS

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.

01 REPORT ON OPERATIONS

GENERAL ECONOMIC OVERVIEW

Dear 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

In 2010, the global economy showed signs of growth compared to the prior year, despite the fact that it was again affected by repercussions from the international financial and economic crisis which has involved nations the world over since 2008.

Due to an internal demand that was still weak and limited inflationary pressure, the orientation of the monetary policy of developed nations remained very expansive, with official interest rates at an all-time low.
In the United States, the Federal Reserve made no changes to the interest rates which are in range between 0.00% and 0.25%.
In general, other leading central banks followed the same line. The Bank of Japan and the Bank of England left their interest rates unchanged, with the target range between 0.00% and 0.10%, and 0.50%, respectively, and the ECB confirmed the official interest rate for the eurozone at an all-time low of 1.00%.

In 2010, international coordination efforts continued to strengthen the regulations and the supervision of banking and financial systems. In particular, a set of guidelines for banks containing the new regulatory framework was approved by the Basel Committee on Banking Supervision ("Basel 3"). These new rules are designed to strengthen and improve bank capital requirements and liquidity. The agreement calls for the comprehensive adoption of the regulations by all the member countries. The new criteria will be implemented through national legislation and laws and gradually applied over a six-year period, starting on January 1, 2013.

The signs of uncertainty in the economic and financial recovery of the United States and the eurozone also influenced the trend of these currencies in 2010. The year closed with an increase in the value of the Euro against the U.S. dollar equal to 1.3362, slightly lower than in 2009 (equal to 1.4342), while strong gains were recorded on the part of the currencies of some of the emerging nations.

The OECD (the Organization for Economic Cooperation and Development) projections quantify the economic recovery for 2010 with an increase in global growth of +4.6% (compared to -1.0% in 2009). This increase would be driven by a major contribution from emerging nations, despite the prospect of uncertainty surrounding the world's leading economies, dominated by a weak labor market and the need of some countries to reform their public finances.

In the United States, GDP was +2.7%, whereas, in 2011, it is expected to be +2.2%. Economic growth also continued in the eurozone, albeit with persisting differences between the leading economies. In 2010, GDP was +1.7%, sustained by the growth of internal demand and industrial investments. Among the leading economies, GDP growth was reinforced in both Germany (+3.6%) and France (+1.5%). Italy lagged behind, with growth of 1.0%, while Spain (-0.2%) was more affected by the economic and financial crisis and the high level of unemployment in the country.

In the most important emerging nations, the BRIC countries (Brazil, Russia, India and China) continue to report economic growth. The growth of GDP in Russia (+3.7%) and Brazil (+7.5%) was accompanied by the firm consolidation of the economies of India (+9.1%) and China (+10.5%). On the other hand, inflationary pressures grew especially as a result of an increase in food prices, leading authorities to impose less favorable monetary conditions.

According to OECD projections, in 2011, the growth of GDP will be consolidated, both in the more advanced nations and in the major emerging nations, which observers believe will continue to drive the global economy, especially China, where growth is expected to be +9.7%.
With regard to the eurozone, given the uncertainty of the international scenario, growth is expected to be +1.3% in 2011 and +1.5% in 2012.

In the industrialized nations, consumer price inflation is a reflection of the effect of rises in the price of raw materials and energy in the second half of 2010. In December, the annual rate of inflation in the United States increased to 1.5% whereas, in the eurozone, it was 2.2%. In 2011, the inflation rate for the United States and the eurozone is expected to be 1.5% and 2.0%, respectively.

The growth of the American economy and the sustainability of sovereign debt in some nations of the eurozone are the two main areas of uncertainty that distinguish the intensity and the evolution of the recovery of the world economy. At the moment world growth is expected to be just over +4% in both 2011 and in 2012.

THE ITALIAN ECONOMY IN 2010 AND FORECASTS FOR 2011

In Italy, it is estimated that in 2010, on average, GDP increased 1.0%.
The greatest contribution to the growth of the Italian economy continued to come from exports. The internal demand was affected by the contraction of industrial investments and private consumption, mainly because of the weak disposal income and uncertain prospects over the conditions of the labor market.

The most critical factor for Italy remains the high level of unemployment. In December 2010, unemployment stood at approximately 8.7%, in line with the figure reported in 2009. For 2011, the employment prospects are still uncertain, being linked to the economic recovery of the country.

Exports drove the growth of the Italian economy in 2010. The increase in the amount of goods exported was reflected in all the main Italian product sectors. The Bank of Italy expects foreign sales in 2011 and 2012 to increase by 6.0% and 5.3%, respectively, because they will be affected by the loss of the price competitiveness of Italian businesses.

In 2010, the Italian banking system did not perceive an improvement in the quality of credit: the flow of adjusted new non-performing loans to total loans remained high and similar to that reported in 2009.
The directives issued in 2010 by the Basel Committee were more stringent and aimed at improving the capital requirements of the financial sector in consideration of the risks assumed. The long transition phase should attenuate the repercussions of the new regulations both in the banking sector and the real economy.

For the two-year period 2011-2012, according to Bank of Italy, there will be a moderate recovery of 0.9% in 2011 and of 1.1% in 2012, driven especially by exports, but still affected by the weakness of internal demand and the effects of measures designed to restore the balance of public finances implemented last summer.

In December 2010, inflation on an annual basis in Italy was 1.9%, compared to 1.0% in the prior year. This increase, registered in the second half of the year and reflecting higher prices of raw materials, energy and food, was also reported in the eurozone. Bank of Italy expects a further increase in consumer price inflation for the two-year period 2011-2012 of around 2%.

In 2010, requirements by the State sector contracted significantly compared to the prior year, principally due to the reduction in disbursements.
The Deficit/GDP ratio was below the target of 5.0% (compared to 5.3% in 2009) while the Debt/GDP ratio was approximately 119% (compared to 115.8% in 2009).

In Italy, the economic forecasts remain very uncertain across all areas. The growth of the global economy and international trade should also have a positive effect on the economic recovery in Italy, albeit at more moderate levels, but will be affected by an uncertain internal demand due to the labor market.

THE NATIONAL HEALTH SYSTEM IN ITALY IN 2010 AND FORECASTS FOR 2011

With regard to healthcare expenditures, the most important measures were adopted in Budget Law 2010 (Law 191 of December 23, 2009) which, by incorporating the contents of the "Healthcare Agreement 2010-2012", established the funding structure of the National Health Service for the three-year period 2010-2012 and introduced special stringent measures with regard to regional healthcare deficits.

Subsequently, Legislative Decree 78/2010 of May 31, 2010 regarding "Urgent measures on financial stability and economic competitiveness" (the so-called 'summer maneuver') converted with amendments into Law 122/2010 of July 30, 2010, and Law 220/2010 of December 13, 2010 (Stability Law 2011), modified the resources plan laid down in the "Healthcare Agreement 2010-2012" and introduced significant changes, also in the sphere of pharmaceutical expenditure.

Healthcare expenditures for 2010 were estimated at approximately Euros 110.0 billion, compared to Euro 109.7 billion in 2009.
Given current expenditures, the funding set aside for 2010 was Euros 106.2 billion.
Therefore, the healthcare deficit for 2010 amounts to approximately Euros 3.8 billion.

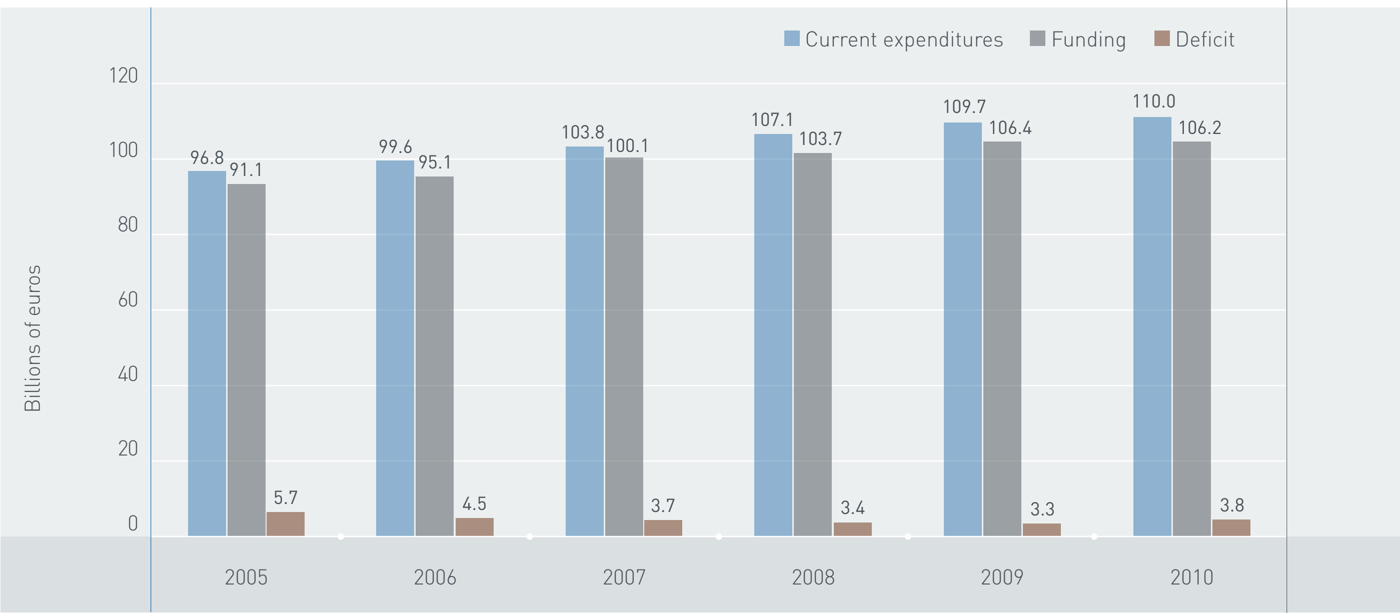
One of the most important new features introduced in the Healthcare Agreement 2010-2012 and incorporated in Budget Law 2010 is the measure exempting healthcare receivables from being seized for those regions which have signed the debt Repayment Plan.
In February 2010, the approval of the maxi-amendment with a large number of extensions made it possible to break the deadlock on the law regarding the seizure of receivables from the ASLs (Local Health Service Agencies) for those Regions involved in the healthcare deficit Repayment Plans.
Instead of the 'year' cited in Budget Law 2010 and the Healthcare Agreement 2010-2012, the 'halt' lasted only two months. In fact, in March 2010, National Health Service suppliers resumed their normal legal procedures.
The new 'halt' to the seizure of receivables came in art. 11 of Legislative Decree 78/2010. According to this decree, enforcement proceedings could not be undertaken or continued against ASLs or AOs (hospital companies) in Regions subjected to the Repayment Plans for the healthcare deficit and already in the hands of an external commissioner
With Law 220/2010, the temporary halt in seizures has been extended until December 31, 2011.

For 2011, the National Healthcare Fund to be shared among the Regions amounts to Euro 106.5 billion.
The amount is to be divided as follows:
• the general fund, destined for the funding and distribution of Standard Minimum Healthcare levels, for Euro 103.9 billion;
• special allocations with restrictions, for Euro 2.6 billion.
The way the 2011 National Healthcare Fund is being divided is more complicated than in previous years, since it clashes with the approval of federal taxation. Furthermore, 2011 will also be the first benchmark year for the so-called 'standard costs' which will start to be applied in 2013. Therefore,

the aim of all the Regions is to 'pocket' as much as possible, and, in any case, no less than they were allocated in the prior year. To this end, the southern Italian regions are pressing for the introduction of new key indicators for the segment, such as 'deprivation' (poverty and low social and economic conditions) and the age of the population.

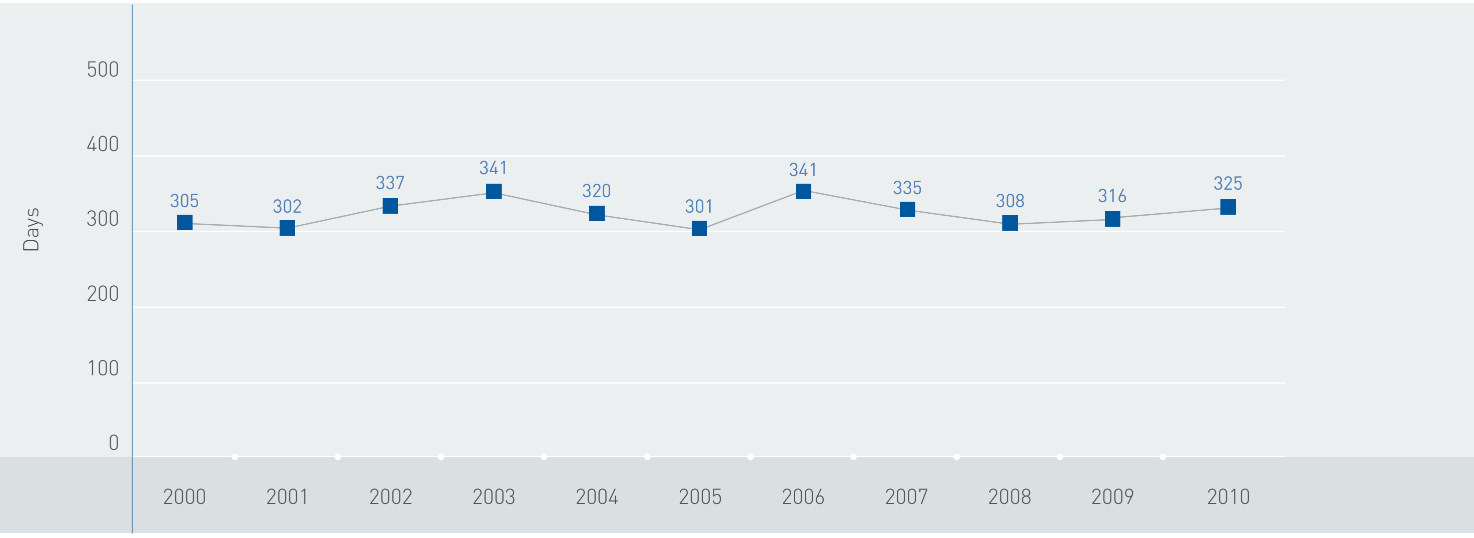
On January 21, 2011, having been approved by the Council of Ministers, the first step in the National Healthcare Plan for 2011-2013 was completed. The plan aims to improve some of the key aspects of the public healthcare service: research, new technologies, healthcare safety, pharmaceuticals and even the accreditation of healthcare facilities, with the aim of improving efficiency and the quality of service to the public.

National Healthcare Fund



In 2010, the average number of days' sales outstanding is around 325 compared to 316 days in 2009.

Average Days' Sales Outstanding



Average DSO (Days Sales Outstanding) in 2011 is expected to be around 340 days.

2010 was an important year for Farmafactoring as it celebrated 25 years of operation. The Company's 25th anniversary was celebrated through a series of events organized during the year. They included events with an institutional slant, such as joint participation in the annual conference of the Farmafactoring Foundation held in Rome, and marketing activities aimed at clients and banks which have participated and contributed over the years, helping Farmafactoring to become established. The celebrations culminated with an event at the Pirelli high-rise building in Milan.

In 2010, Farmafactoring received a rating from Standard&Poor's for its long/short-term debt of BBB/A-2, with a stable outlook. The key elements for this positive rating are the Company's solid and recurring earnings as well as the low risk of its portfolio and adequate capitalization.
The rating, which places Farmafactoring in a league with the best Italian financial companies and banks, represents a significant recognition of its 25 years of enormous development, combined with a prudent capitalization and risk management policy. This has enabled the Company to continually rank as the leader in its business segment and enjoy the appreciation of its clientele, mainly large companies, and the Public Administration, particularly the health service.

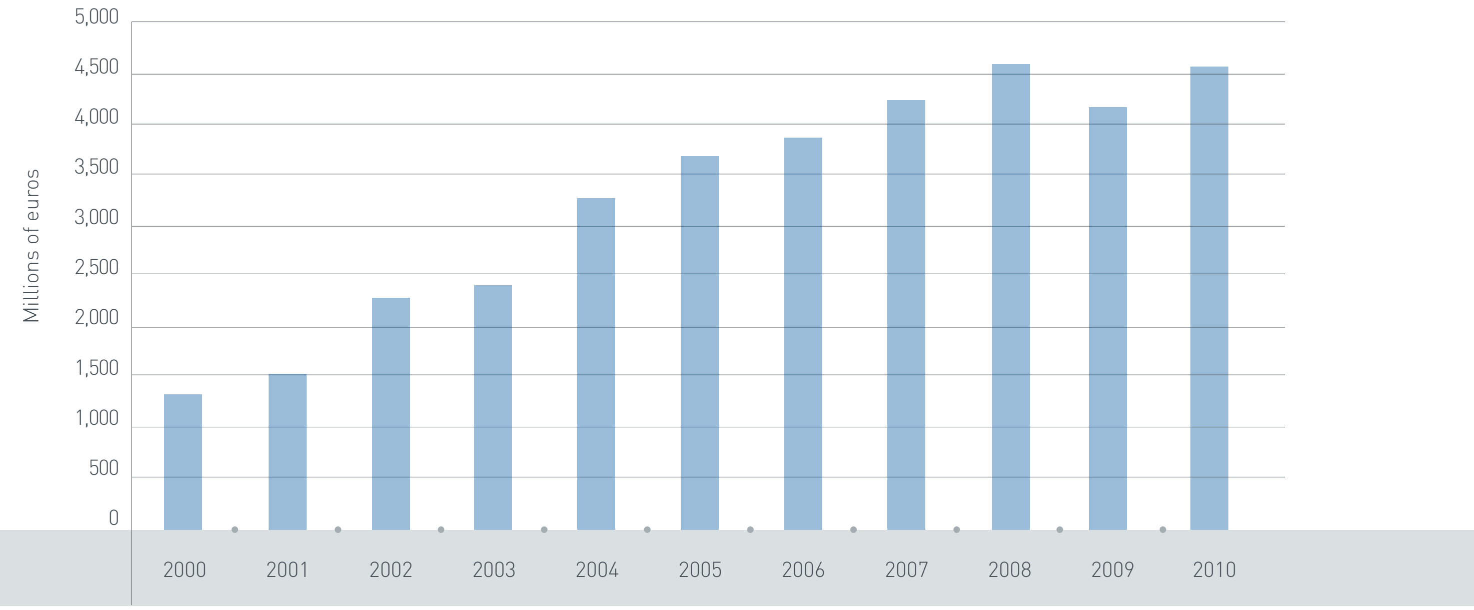
A description is presented below of the trend of the main business indicators and the key balance sheet and income statement figures.

MAIN BUSINESS INDICATORS IN 2010 COMPARED TO 2009

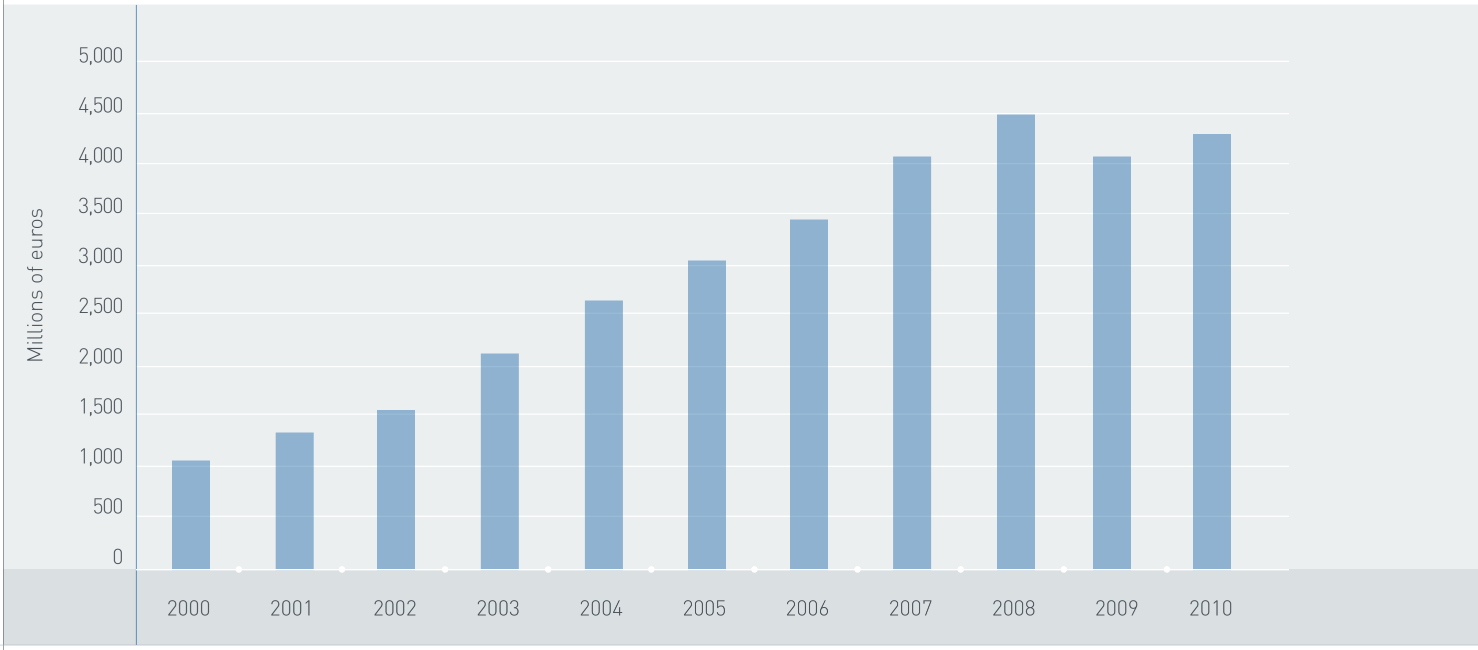
In a domestic and international economic scenario which continues to be fraught with difficulties, in 2010, Farmafactoring reported a record profit of Euros 53.3 million. This is an all-time high for the Company and about 24% higher than the profit of Euros 42.8 million posted in 2009.
It should also be noted that this profit result is not due to extraordinary factors but to excellent business performance. This can be seen in the gain made by the operating income which in 2010 amounts to Euros 101.6 million compared to Euros 88.2 million in 2009.
Such excellent results can also be traced to a growth in business activities. In 2010, in fact, total volumes realized by the Company were Euros 4,605 million, while total collections were equal to Euros 4,273 million.
The increase in total volumes compared to those in 2009 (+10.6%) is the outcome of the strengthening of the policy aimed at satisfying the clientele's need to sell receivables, increasing turnover with existing customers.
Purchases of non-recourse receivables rose from Euros 1,976 million in 2009 to Euros 2,147 million in 2010. This was accomplished without extraordinary transactions connected with regional agreements which call the management or purchase of the receivables of customers which do not operate on a regular basis with Farmafactoring.

The following graphs represent the total volumes and collections.

Total Volumes

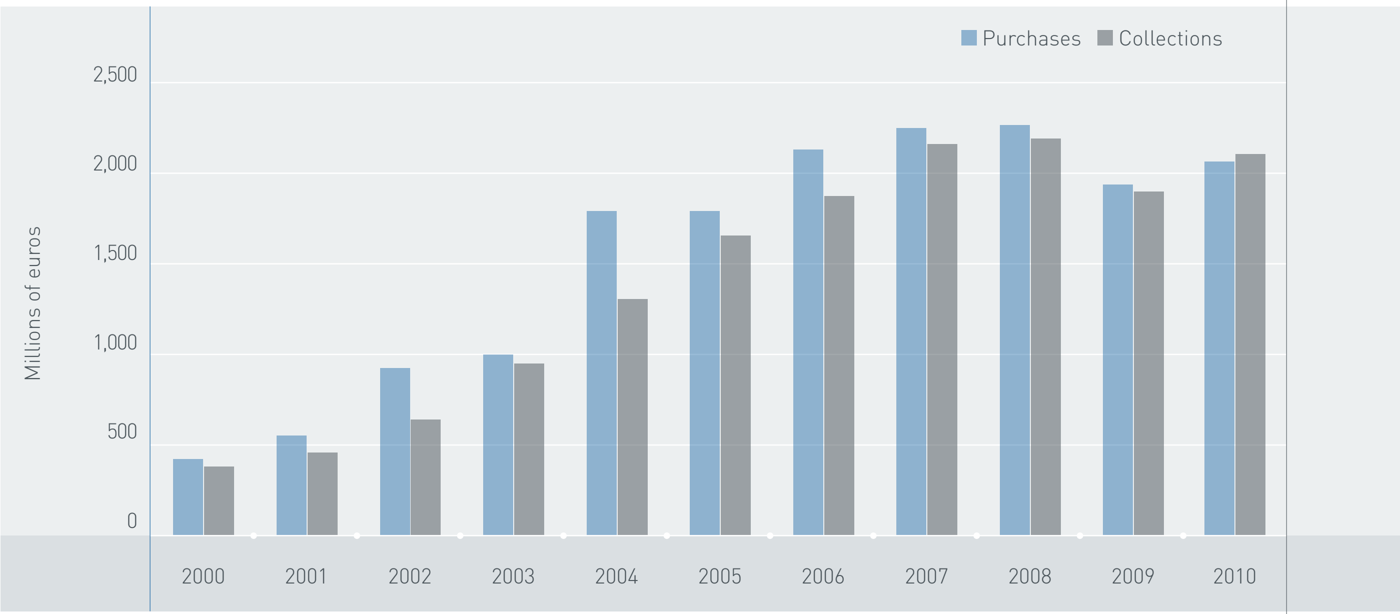


Total Collections



Collections on non-recourse receivables purchased rose from Euros 1,945 million in 2009 to Euros 2,161 million in 2010, with an increase of 11.1%. This increase is partly due to the transactions for the sale of receivables for a total amount of about Euros 177 million.

Non-Recourse Receivables - Purchases and Collections

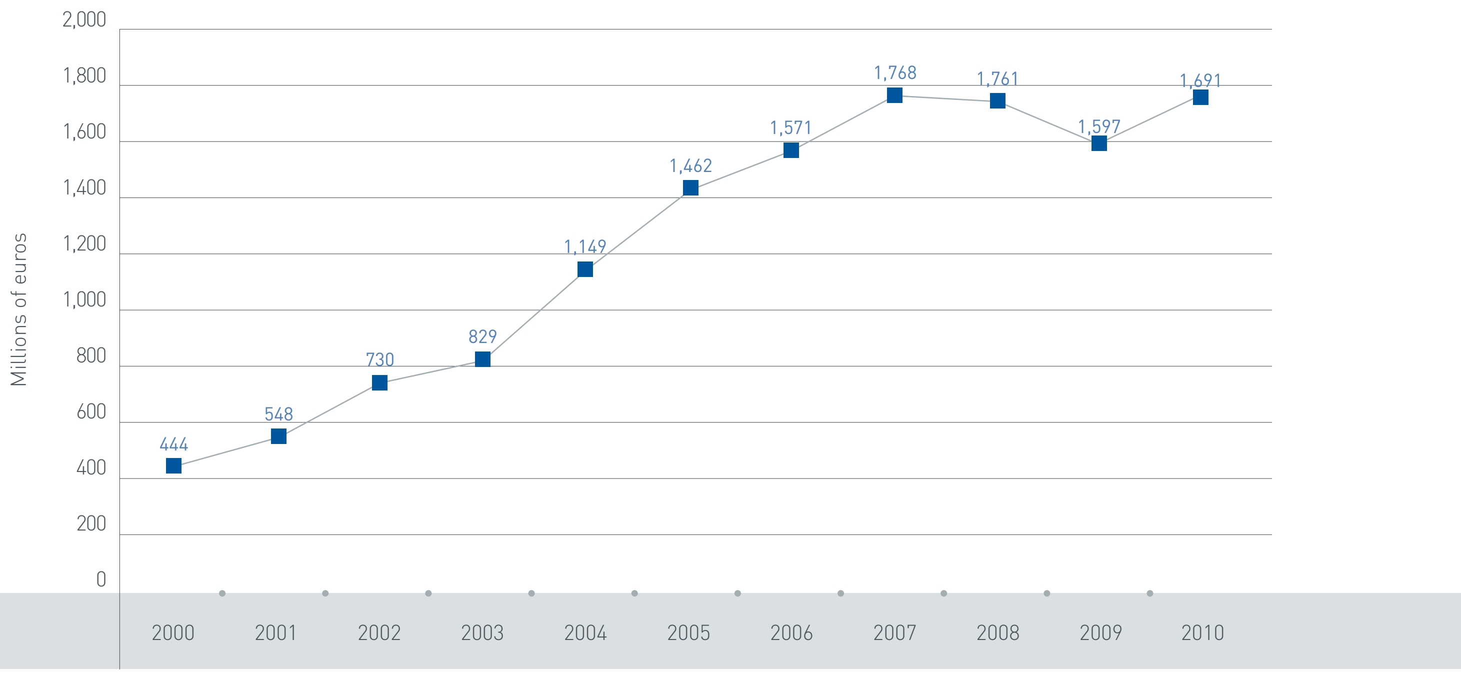


In 2010, Farmafactoring collected about Euros 203 million of 2008 receivables under an agreement with the Lazio Region stipulated last year.
In 2009, collections relating to agreements with the Regions amounted to Euros 90 million.

The agreements with the Regions make it possible to reduce the collection times on receivables due from the ASLs and the AOs that have a high average in terms of delays in payments.
As a result of such agreements, the Region achieves the objective of decreasing the use of public funds destined for health care expenditures and reducing payment times.

The crisis which impacted the financial markets in 2009, as was expected, also had repercussions in 2010.
In this climate of credit scarcity, the credit lines extended to Farmafactoring at the end of December 2010 amount to Euros 1,691 million. The increase of about Euros 94 million compared to December 2009 is particularly due to financial operations structured as pools, bilateral committed credit lines and the activation of new banking relationships.

Bank Credit Lines



Among the transactions concluded in 2010 are the following in particular:

- a Club Deal loan with Intesa Sanpaolo, as the leader, arranger and agent, for a total amount of Euros 105 million for a period of 18 months less one day;
- a loan extended by a pool of banks with Unicredit Corporate Banking as the leader, arranger and agent, for a total of Euros 111 million for a period of 18 months less one day;
- a loan extended by a pool of banks with Intesa Sanpaolo, as the leader, arranger and agent, for a total amount of Euros 180 million for a period of 18 months less one day;
- various bilateral committed lines activated with the largest national banking groups for a total of Euros 160 million.

INTERNAL CONTROL

In conformity with Bank of Italy regulations regarding internal control and Farmafactoring's internal regulation with regard to the management of risks and controls, the organizational unit responsible for internal control has implemented the activities established in the current Audit Plan.
In 2010, tests have been carried out on all the core processes, Information Technology and regulatory compliance with particular reference to usury, transparency, anti-money-laundering, disclosure to the public and the ICAAP (Internal Capital Adequacy Assessment Process).
The audit activities, which have indicated an adequate level of internal control, have been brought to the attention of the board of directors and the board of statutory auditors.
In 2010, the internal control organizational unit has coordinated the work of the Risks Committee, which monitors the risk management process of the Company, the main activity of which is the analysis of the typical risks of factoring operations and also the verification of capital adequacy as established by Basel 2 in Pillar 2.
The Company has designed an Organizational, Management and Control Model in accordance with Law 231 which provides for a Supervisory Board to monitor its functioning and updating.
As concerns the reorganization of the Supervisory Board, the Organizational Model will be assessed with the aim of its rationalization, including a general part containing the basic principles and a special part for each single organizational unit.

BUSINESS DEVELOPMENTS

In 2010, investments were made in information technology for applications software, basic software and hardware to ensure the availability, the continuity and the performance and 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 amendments and international standards ISO/IEC 27001:2005 - ISO/IEC 27002:2007).

In particular, the following main projects were executed:
• activation of new physical and virtual server systems in the production sites and a disaster recovery plan;
• updating of software systems for the management of regulatory reporting to Bank of Italy and the management of the Single Software Archive following the new regulations which came into force during the year;
• updating to comply with Legislative Decree 196 of June 30, 2003 and subsequent amendments (Code for the protection of personal data and the relative Attachment B - Technical Regulations on minimum security measures), with relative periodical testing;

• a strategic rapid assessment of the subsidiary Farmafactoring España S.L. was carried out which led to an analysis of the Italy model, in order to define and develop the subsidiary's model, in terms of organization, processes and IT. The analysis tables made it possible to pinpoint the changes to be made to the Italian model so that it could be used for the Spanish context of reference. Moreover, the master plan was designed for the activities to be carried out, which were all implemented during the year.

PROGRAMMING DOCUMENT ON SECURITY

In 2010, 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.

CHANGE IN PERSONNEL

In order to support the Company's development plans and optimize the workforce, the headcount was continually increased during the year, as can be seen in the table below.

Category	2006	2007	2008	2009	2010
Managers	3	3	4	6	6
Supervisors	14	17	16	22	24
Remaining staff	47	50	55	54	57
Total	64	70	75	82	87

in thousands of euros

Item	2006	2007	2008	2009	2010
Personnel costs	5,949	6,519	7,792	9,031	9,030

Such increase was aimed mainly at building the management structure and adding highly qualified professional staff.

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, calculate the taxable profit on a consolidated basis pursuant to article 117 and subsequent articles of D.P.R. 917 of December 22, 1986.
On June 15, 2010, the option to be taxed as a group for a three-year period was renewed by communication to the Tax Revenue Agency.

The Company has a loan extended by the parent, FF Holding S.p.A. for Euros 5 million due on June 30, 2011 and regulated by normal market conditions.

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

On December 10, 2009, Farmafactoring España S.L. was formed with a sole shareholder, Farmafactoring S.p.A.. The share capital is fully paid-in and amounts to Euros 100,000.
Farmafactoring España S.L. has its headquarters in Madrid and will start up operations in 2011. Its activities will reflect those of the parent, seeking to meet the requests received from the client companies which operate in the Spanish market. On December 1, 2010, the general manager was hired for the Spanish subsidiary.

To this end, on December 15, 2010, the special shareholders' meeting of Farmafactoring España S.L. resolved to increase share capital for an amount of Euros 6 million: a first payment of Euros 1 million was made on January 25, 2011, a second for Euros 3 million in March 2011 and the remaining amount will be paid by the end of April 2011.

Additional information on related party transactions is presented in Part D, Section 6 of the notes - Related party transactions.

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 and services supplied to the Public Administration in general.

In 2011, Farmafactoring España S.L. will commence business operations, therefore the main action plans that will be needed are the following:
• structuring loan arrangements necessary for the start-up of operations and determining the suppositions for an evolution of operations and turnover over the following years;
• building up the workforce and the organization so the growth of operations can be sustained, as mentioned before.

ACCOUNTING PRINCIPLES

General principles
The financial statements have been prepared, as established by Legislative Decree 38/2005, according to the international accounting principles IAS/IFRS.

Structure of the IAS/IFRS financial statements
The structure of the financial statements is in accordance with the provisions stated in *"Instructions for the Preparation of the Financial Statements of the Financial Intermediaries registered in the Special List of IMELs, SGRs and SIMs"* written by Bank of Italy and issued on December 16, 2009, and subsequent additions.

The document consists of the following:
• report on operations;
• balance sheet;
• income statement;
• statement of comprehensive income;
• statement of cash flows;
• statement of changes in equity;
• notes to the financial statements.

RECLASSIFIED BALANCE SHEET

in thousands of euros

Items	12.31.2010	12.31.2009	Change
Assets			
Cash and cash balances	2	10	(8)
Financial assets held for trading	808	0	808
Available-for-sale financial assets	27	27	0
Receivables	1,662,693	1,704,768	(42,075)
Investments	6,264	264	6,000
Property, plant and equipment	14,384	15,498	(1,114)
Intangible assets	963	655	308
Tax assets	25,031	19,054	5,977
Other assets	4,678	4,756	(78)
Total assets	1,714,850	1,745,032	(30,182)
Liabilities and equity			
Payables	1,434,192	1,500,039	(65,847)
Financial liabilities held for trading	1,279	5,930	(4,651)
Tax liabilities	37,672	33,306	4,366
Other liabilities	32,522	15,872	16,650
Employee severance indemnities	699	846	(147)
Provisions for risks and charges	4,217	5,731	(1,514)
Equity	151,008	140,472	10,536
Profit for the year	53,261	42,836	10,425
Total liabilities and equity	1,714,850	1,745,032	(30,182)

RECLASSIFIED INCOME STATEMENT

in thousands of euros

Items	2010	2009	Change
Interest and similar income	130,389	118,365	12,024
Interest and similar charges	(45,778)	(42,100)	(3,678)
Net interest income	84,611	76,265	8,346
Net fee and commission income	11,486	11,027	459
Gains/losses on trading	5,459	895	4,564
Operating income	101,556	88,187	13,369
Impairment losses/reversals on financial assets	2,096	107	1,989
Administrative expenses	(23,352)	(21,895)	(1,457)
Adjustments to property, plant and equipment and intangible assets	(1,865)	(2,262)	397
Net provisions for risks and charges	(1,211)	(951)	(260)
Other operating income (expenses)	3,145	1,611	1,534
Net operating profit	80,369	64,797	15,572
Income taxes	(27,108)	(21,961)	(5,147)
Profit for the year	53,261	42,836	10,425

COMMENTS ON THE RECLASSIFIED BALANCE SHEET

The key line items in the balance sheet are commented below.

Receivables

in thousands of euros

Items	12.31.2010	12.31.2009	Change
Due from banks	84,153	116,533	(32,380)
Due from financial institutions	1,275	1,275	0
Due from customers	1,577,265	1,586,960	(9,695)
Total	1,662,693	1,704,768	(42,075)

"Due from banks" is mainly composed of current account balances which the Company has with banks at the end of the year.

Details of the amounts "Due from customers" are the following.

in thousands of euros

Items	12.31.2010	12.31.2009	Change
Assignors / loans account	1,996	3,690	(1,694)
With recourse advances	499	2,197	(1,698)
Non-recourse receivables purchased	1,569,641	1,575,698	(6,057)
Receivables purchased below nominal amount	252	544	(292)
Other due from customers	4,877	4,831	46
Total	1,577,265	1,586,960	(9,695)

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 includes receivables due from customers which, although past due more than 90/180 or 270 days, show no objective indication of impairment either individually or collectively in the portfolio based on internal historical or statistical information.
This representation is consistent with the criterion of measuring non-recourse receivables purchased at amortized cost which, in fact, is based on discounting expected future cash flows according to an estimate of the time to collection.

Although the receivables from the Public Administration are considered no-risk, as in prior years, a collective assessment of performing receivables was carried out in order to monitor the quantitative content in accordance with IAS 39.

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 major rating agencies.

This analysis has produced results in line with those of prior years and did not indicate any significant losses such as to require a charge for a collective impairment loss on the receivables.

In accordance with the *"Instructions for the Preparation of the Financial Statements of the Financial Intermediaries registered in the Special List of IMELs, SGRs and SIMs"* written by Bank of Italy and issued on December 16, 2009, and subsequent additions, Farmafactoring has divided its receivables from the clientele between "performing" and "impaired".

Compared to December 31, 2009, impaired assets decreased by about Euros 9.2 million mainly due to:
• the payments by the entity *"Fondazione Ordine Mauriziano"* under Liquidation Management in Turin (Non-performing) in February and December 2010, for a total of Euros 3.9 million;
• the reduction in Doubtful receivables since certain positions are no longer classifiable in that category on the basis of the parameters established by Bank of Italy, and now mainly come under the category of "Performing".

Impaired assets total Euros 4,118 thousand and correspond to the sum of:
• Past due;
• Restructured;
• Doubtful;
• Non-performing.
The definitions of these categories are set out in the Regulatory Reporting process, defined by Circular 217 of August 5, 1996 - 9th update of February 2, 2011 *"Manual for the Compilation of Regulatory Reporting for the Financial Intermediaries registered in the Special List"*.

Past due.
These are in reference to exposure with central administrations and central banks, territorial entities, public sector entities, non-profit entities and companies which at December 31, 2010 are past due more than 90/180 days.
In particular, positions with 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.
At December 31, 2010, the total of past due receivables amounts to Euros 3,448 thousand, and is in line with the prior year.

Restructured.
These are in reference to exposure for which an intermediary, owing to the deterioration of the economic and financial conditions of the debtor, agrees to modify the original contract terms which give rise to a loss.
At December 31, 2010, Farmafactoring does not have any positions classified as restructured receivables.

Doubtful.
These are in reference to exposure with parties that are in temporary situations of objective difficulty which are expected to pass within a suitable period of time.
Doubtful receivables also include so-called "objective" doubtful receivables.
At December 31, 2010, the total of doubtful receivables is Euros 582 thousand and a significant reduction compared to Euros 6,107 thousand in the prior year.

Non-performing.
These refer to exposure with parties that are in a state of insolvency or in basically similar situations, regardless of any provisions for loss set aside by the Company.
At December 31, 2010, the total of non-performing receivables, net of writedowns due to estimated impairment losses, amounts to Euros 88 thousand.
Compared to the prior year, the net exposure to non-performing receivables decreased by about Euros 3.8 million, primarily as a result of the aforementioned payments received from the entity *"Fondazione Ordine Mauriziano"* under Liquidation Management in Turin.

The composition of impaired assets at December 31, 2010 and December 31, 2009 is presented below.

in thousands of euros

	12.31.2010			12.31.2009		
Type	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Non-performing	8,798	(8,710)	88	16,383	(12,502)	3,881
Exposure with assignors	585	(585)	0	602	(602)	0
Exposure with assigned debtors	8,213	(8,125)	88	15,781	(11,900)	3,881
Doubtful	582		582	6,107		6,107
Exposure with assignors						
Exposure with assigned debtors	582		582	6,107		6,107
Restructured						
Exposure with assignors						
Exposure with assigned debtors						
Past due	3,448		3,448	3,342		3,342
Exposure with assignors						
Exposure with assigned debtors	3,448		3,448	3,342		3,342
Total	12,828	(8,710)	4,118	25,832	(12,502)	13,330

Legal action taken by the Company is mainly to accelerate the recovery of receivables.

Investments

Investments refer to the equity investment in the company Farmafactoring España S.L., a wholly-owned subsidiary of Farmafactoring S.p.A.
The value of the investment is Euros 6,264 thousand and refers to the share capital fully paid-in by the sole shareholder, Farmafactoring S.p.A., and charges incidental to setting up the company and starting-up activities in the Spanish market.
Farmafactoring España S.L. will commence activities in 2011 with the aim of cutting out a niche in the Spanish market of healthcare receivables factoring and replicating the elements of the Italian operating model.
To this end, in 2010, the organizational structure, processes and IT of Farmafactoring's "Italian model" has undergone a strategic evaluation and analysis for the purpose of developing and defining its implementation in the new Spanish subsidiary. Furthermore, a working plan has been devised and the first applications have been carried out. On December 1, 2010, the general manager was hired for the Spanish company.

On December 15, 2010, the special shareholders' meeting of Farmafactoring España S.L. resolved to increase share capital, initially paid in for Euros 100 thousand, by Euros 6 million. The amount is to be paid over a maximum period of four months by the sole shareholder Farmafactoring S.p.A. As previously mentioned, the first part of the capital increase was paid in for Euros 1 million on January 25, 2011 and the second for Euro 3 million in March 2011.

The first financial statements at December 31, 2010 of the company Farmafactoring España S.L. report a loss of Euros 39 thousand. The loss is basically due to structure costs incurred during the last part of the year and salaries paid to staff in December. Such loss is recorded as a consequence of the start-up phase of business; it is not deemed to constitute an impairment of the investment value of the company.

Property, plant and equipment

in thousands of euros, unless otherwise indicated

Items	12.31.2009	Net increases	Net decreases	12.31.2010	% of total
Buildings	8,568	0	(303)	8,265	57.46%
Land	3,685	0	0	3,685	25.62%
Extraordinary building maintenance	660	0	(335)	325	2.26%
Plant	773	58	(260)	571	3.97%
Furniture and fixtures	342	21	(94)	269	1.87%
Electronic machines	667	388	(428)	627	4.36%
Other property, plant and equipment	803	0	(161)	642	4.46%
Total	15,498	467	(1,581)	14,384	100.00%

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.

Net increases include additions to electronic machines largely referring to hardware purchases.

Payables

in thousands of euros

Items	12.31.2010	12.31.2009	Change
Due to banks	1,305,599	1,421,557	(115,958)
Due to financial institutions	65,000	17,555	47,445
Due to customers	63,593	60,927	2,666
Total	1,434,192	1,500,039	(65,847)

"Due to banks" refers to loans obtained from the banking system.

"Due to financial institutions" refers to two loans:
• at December 31, 2010, the loan from the company International Factors Italia S.p.A. – IFITALIA, due on September 24, 2011, equal to Euros 60 million and regulated by normal market conditions.
• the loan from the parent, FF Holding S.p.A., due on June 30, 2011, equal to Euros 5 million and regulated by normal market conditions.

Financial assets/liabilities held for trading

"Financial assets/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 "Financial 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 of non-recourse receivables.
Derivatives are measured at fair value.

At December 31, 2010, "Financial assets held for trading" total Euros 808 thousand compared to a zero balance at December 31, 2009; "Financial liabilities held for trading" total Euros 1,279 thousand compared to Euros 5,930 thousand in the prior year.
The fair value changes above result in a positive impact in the income statement of Euros 5,459 thousand recognized in "Gains/losses on trading".

Provisions for risks and charges

At December 31, 2010, "Provisions for risks and charges" amount to Euros 4,217 thousand and mainly include provisions referring to the workforce.

Provisions include primarily Euros 2,433 thousand for "Pension funds and similar obligations".

in thousands of euros

Items	12.31.2009	Increases	Decreases	12.31.2010
Long-term employee benefits	4,571	346	(2,484)	2,433
Total	4,571	346	(2,484)	2,433

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 an after-tax profit for the year of Euros 53,261 thousand and is Euros 10,425 thousand higher than the profit reported in 2009.
The key line items in the income statement are commented below.

Net interest income

in thousands of euros, unless otherwise indicated

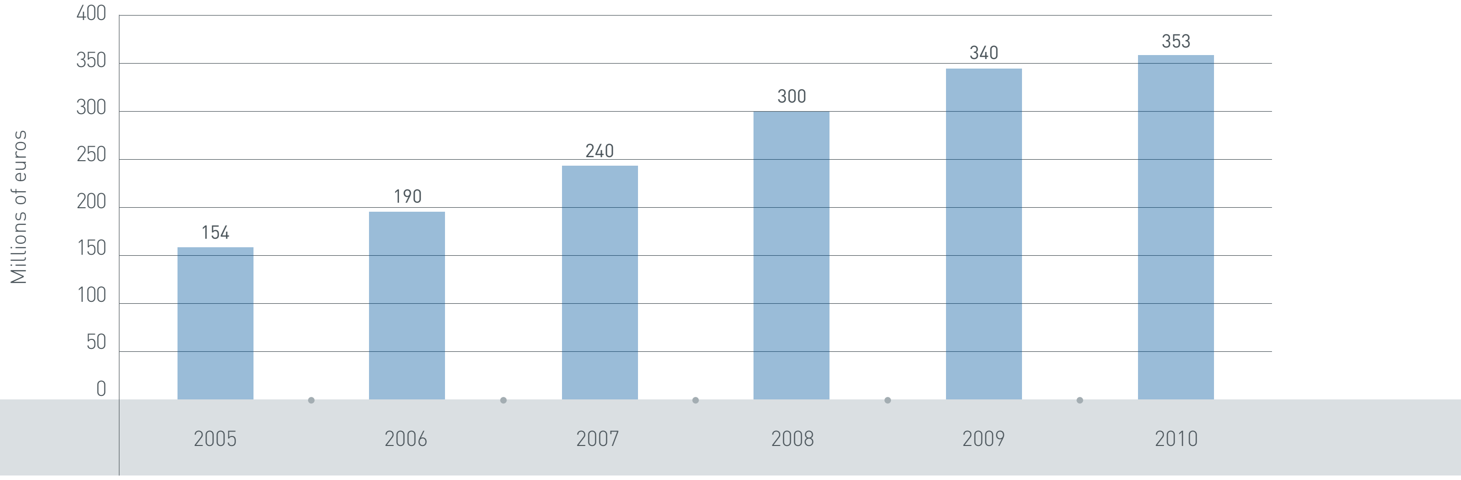
Items	12.31.2010	12.31.2009	Change	Change %
Maturity commissions	69,263	69,898	(635)	-0.91%
Interest on late payments	57,192	39,185	18,007	45.95%
Other interest	3,934	9,282	(5,348)	-57.62%
Total interest income	130,389	118,365	12,024	10.16%
Interest expenses	(45,778)	(42,100)	(3,678)	8.74%
Net interest income	84,611	76,265	8,346	10.94%
Net interest income (%)	64.89%	64.43%		

The recognition of "Maturity commissions" in the income statement reflects the effective return from the application of the amortized cost criterion for measuring non-recourse receivables purchased, in accordance with IAS 39, as a result of which the income connected with such activity is recognized in relation to the return originating from the estimated cash flows.

Given the uncertainty of the date of collection and the amount that will be received, "Interest on late payments" is recognized in the income statement when it is effectively received.
In 2010, collections on "Interest on late payments" amounted to about Euros 57.2 million, with an increase of about 46% compared to the prior year.
"Interest on late payments" collected in 2010 and relating to agreements with the Regions amount to approximately Euros 10 million.

At December 31, 2010, "Interest on late payments" accrued on non-recourse receivables purchased amount to approximately Euros 353 million, of which approximately Euros 167 million has already been invoiced and fully written off by an accrual to the provision for interest on late payments for the same amount.

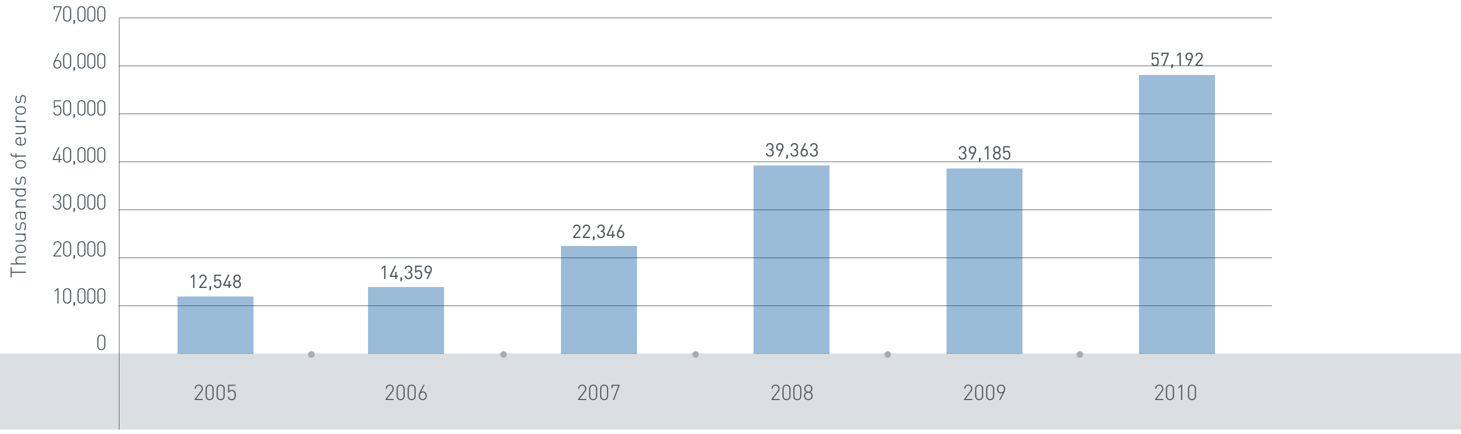
Provision for Interest on late payments



"Interest expenses" increased by approximately Euros 3.7 million in 2010 compared to 2009, mainly due to interest expenses deriving from the sale of receivables carried out in 2010.

The following graph gives the trend of Interest collected on late payments over the last few years.

Interest collected on late payments



Net fee and commission income

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

in thousands of euros, unless otherwise indicated

Items	12.31.2010	12.31.2009	Change	Change %
Commission income	11,720	11,374	346	3.04%
Commission charges	(234)	(347)	113	-32.56%
Net fee and commission income	11,486	11,027	459	4.16%

Gains/losses on trading

"Gains/losses on trading" refers to the recognition of the fair value of derivatives, with a positive impact on the income statement of Euros 5,459 thousand at December 31, 2010.

Fair value changes in derivatives

in thousands of euros

Items / Amounts	Carrying amount	Change
Financial assets held for trading		
Amount at 12.31.2009	0	
Amount at 12.31.2010	808	808
Financial liabilities held for trading		
Amount at 12.31.2009	5,930	
Amount at 12.31.2010	1,279	4,651
Gains/losses on trading		5,459

Change in the result for the year

The profit for 2010 increased by about Euros 10.5 million, from Euros 42.8 million in 2009 to Euros 53.3 million.

The main factors which had an effect on the change in the result for the year are the following:

1) Net interest income

Net interest income increased by about Euros 8.3 million mainly due to the effect of higher interest collected on late payments.

2) Operating income

Operating income rose by Euros 13.4 million principally on account of a higher balance of gains in "Gains/losses on trading".

In fact, compared to 2009, "Gains/losses on trading" which are made up of the fair value of derivatives show a positive balance of Euros 4.6 million.
The trend in rates, in effect, created a positive impact on the fair value measurement of derivatives during the year of Euros 5.5 million compared to Euros 0.9 million in 2009.

INFORMATION ON THE COMPANY'S OBJECTIVES AND POLICIES REGARDING THE ASSUMPTION, MANAGEMENT AND HEDGING OF RISKS

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 about the future for at least 12 months after the reporting date.

Performance review
The performance review of the last few years shows a continuous improvement in terms of profit and high levels of turnover.

The data can be summarized as follows:
- growing performance of profit and equity in the last three years;
- steady increase in the number of staff in the last few years;
- capital adequacy in relation to 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 performance is presented below.

in millions of euros, unless otherwise indicated

Items	12.31.2010	12.31.2009	12.31.2008
Net interest income	84.6	76.3	68.1
Operating income	101.6	88.2	72.6
EBTDA	80.9	67.0	53.0
Profit	53.3	42.8	28.2
R.O.E. (Return On Equity) (%)	35.3%	30.5%	21.5%
Operating income / Non-recourse volumes (%)	4.7%	4.5%	3.1%
Interest charges / Maturity commissions (%)	58.2%	58.9%	87.4%
Net interest income / Interest income and similar income (%)	64.9%	64.4%	47.1%
Non-performing (net of impairment losses) / Outstanding	0.01%	0.25%	0.53%
Regulatory capital / Weighted outstanding	45.9%	43.8%	40.8%
Equity	204.3	183.3	159.2

In prospective terms, too, the Company's plans for growth highlight further significant margins for expansion partly due to the anticipated start of the operating activities of Farmafactoring España S.L. that will bring a new vision to the group's development.
Consequently, there are no elements such as to compromise the going concern concept.

Prospective review
This aspect is confirmed by the contents of the three-year Business Plan 2011-2013, approved by the board of directors on September 30, 2010, and the Budget 2011, from which it can be seen, in prospective terms, that there are good expectations both from the standpoint of turnover and earnings.
Commercial efforts will be directed towards cementing relations with the acquired clientele, growing with a focus in particular on the traditional sector and expanding services for existing customers.
In this context, earnings are estimated also for 2011, with budgeted earnings basically in line with that of the last few years.

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 monitoring system according to ICAAP principles which, by means of stress scenarios, provides for 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 their goal is to keep the financial position in equilibrium through the use of different levers such as the liquidity reserve, lending plans and actions directed throughout the territory.
Farmafactoring meets its working capital requirements through the use of short-term financial credit lines and its own equity and the cash flows generated during the period. At the same time, estimated lending requirements are met in the medium term with structured finance operations and bilateral committed financing transactions 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 risk of the concentration 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 industry trade group suggests an increase in recourse to factoring, in spite of the current trend of the financial markets.

In view of the aforementioned considerations associated with the historical and prospective review of the future earnings of the Company and its ability to access financial resources, it can be said that Farmafactoring will continue its operating activities in the predictable future and, consequently, has drawn up these financial statements on a going concern basis.

Risk management and compliance with the prudential supervision regulation
Beginning January 1, 2008, the financial intermediaries registered in the special list referred to in art. 107 of T.U.B. must comply with the regulation on prudential supervision set out in Circular 216 of August 5, 1996 - 7th update of July 9, 2007 "Supervision Instructions for the Financial Intermediaries registered in the Special List" issued by Bank of Italy".

The regulation is based on three pillars.

<u>Pillar 1 - Capital adequacy to meet typical risks associated with financial activities</u>

From an operational standpoint, the absorption of risks, where significant, is calculated using various calculation methods:
- credit risk → Standardized method;
- counterparty risk → Standardized method;
- operating risk → Basic indicator method;
- market risk → *not material*. The Company does not have a trading portfolio.

Regulatory capital
Regulatory capital is the first line of defense against risks associated with overall financial activities and constitutes the main parameter of reference for the assessment of the capital adequacy of the Company.
The purpose of the prudential supervision regulation is to ensure that all the financial intermediaries registered in the special list referred to in art. 107 T.U.B. have a minimum obligatory capitalization in relation to the risks assumed.

Farmafactoring constantly assesses its capital structure, developing and utilizing techniques for monitoring and managing regulated risks, assisted also by its internal Risks Committee.
From the standpoint of prudential supervision, the level of capitalization absorbed is determined considering the current reporting regulations.

Regulatory capital is composed of Tier 1 Capital plus Tier 2 Capital, net of prudential filters and deductions.
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, 2010, in relation to its business, is adequate according to the level of capitalization and the profile of risk identified.
The regulatory capital ratios show an improvement over December 31, 2009 and are now 22.3% for the Tier 1 Capital Ratio and 25.6% for the Total Capital ratio.

in millions of euros, unless otherwise indicated

Details	Total 12.31.2010	Total 12.31.2009
Tier 1 capital	133.4	126.0
Tier 2 capital	19.7	22.7
Total Regulatory Capital	153.1	148.7
Risk-weighted assets	597.4	582.7
Tier 1 Capital Ratio (%)	22.3%	21.6%
Total Capital Ratio (%)	25.6%	25.5%

According to the provisions dictated by the *"Instructions for the Preparation of the Financial Statements of the Financial Intermediaries registered in the Special List of IMELs, SGRs and SIMs"* written by Bank of Italy and issued on December 16, 2009, the amount of Risk-weighted assets is always calculated by all the intermediaries as the product of the total of prudential capital requirements and 16.67 (the inverse of the minimum obligatory ratio equal to 6%).

Pillar 2 - Internal Capital Adequacy Assessment Process (ICAAP) Summary

This Pillar requires intermediaries to have strategies and processes for determining the adequacy of current and future capital. It is the Regulatory Authority's responsibility to verify the reliability and accuracy of the relative results and, where necessary, to take the appropriate corrective actions.
The Company will present Bank of Italy with the ICAAP Summary by April 30, 2011 showing the updated risk management system for the determination of the adequacy of capital.

Pillar 3 - Disclosure to the public

By the date set for the publication of the 2010 financial statements, and at least once a year, this Pillar requires the Company to publish on its website www.farmafactoring.it, using the six tables designed by Bank of Italy (complying with the order and content), the information regarding capital adequacy, exposure to risks and the general characteristics of the systems used for the identification, measurement and management of such risks (under Circular 216 of August 5, 1996 - 7th update of July 9, 2007, *"Regulatory Instructions for the Financial Intermediaries registered in the Special List"* Chapter V, Section XII).

Such information is discussed in greater detail in the notes, Part D) Other information.

OTHER INFORMATION REQUIRED BY ART. 2428 OF THE ITALIAN CIVIL CODE

The other information required by art. 2428 of the Italian Civil Code, not provided in the preceding paragraphs, is as follows:

Treasury shares
The Company does not possess treasury shares or quotas of the parent, either directly, through individuals or trustee companies.

Significant events subsequent to the end of the year
With regard to the improvement in impaired positions compared to the prior year, mentioned in the paragraph commenting on credit quality, it should also be noted that negotiations are underway with the Liquidator of the closed Azienda Universitaria Policlinico Umberto I of Rome (a non-performing entity), in order to reach an agreement over the receivables which are owed. Furthermore, on the basis of an agreement regarding the bankruptcy of the company Digital Architects S.p.A., in 2012, the Company should receive a payment for Euros 3.6 million.

There are no significant events subsequent to the end of the year, apart from those that have already been mentioned.

MOTION FOR THE APPROPRIATION OF PROFIT

Dear Shareholders,
The financial statements for the year ended December 31, 2010 show a profit of Euros 53,260,871 and the board motions for the appropriation of profit as follows:

Profit	53,260,871
- 5% to the legal reserve	2,663,044
To the shareholders:	
Euros 25 to each of the 1,700,000 shares	42,500,000
To retained earnings	8,097,827

After the appropriation of profit, the legal reserve will be equal to Euros 14,211,643 and "Retained earnings" will amount to Euros 17,846,061.

The special shareholders' meeting is also called to vote on the bonus increase in share capital from Euros 105,400,000 to Euros 110,500,000 drawing Euros 5,100,000 from "Retained Earnings" and the simultaneous modification of the par value of the shares.
After this increase, "Retained earnings" will be reduced to Euros 12,746,061.

On behalf of the Board of Directors
The Chairman
Marco Rabuffi

02 FINANCIAL STATEMENTS AT DECEMBER 31, 2010

BALANCE SHEET

in euros

Assets		12.31.2010	12.31.2009
10.	Cash and cash balances	2,305	10,642
20.	Financial assets held for trading	808,479	0
40.	Available-for-sale financial assets	26,887	26,887
60.	Receivables	1,662,692,691	1,704,767,957
90.	Investments	6,263,900	263,900
100.	Property, plant and equipment	14,384,017	15,498,420
110.	Intangible assets	963,313	655,105
120.	Tax assets	25,030,950	19,053,729
	a) current	*21,317,822*	*14,276,874*
	b) deferred	*3,713,128*	*4,776,855*
140.	Other assets	4,677,724	4,755,655
	TOTAL ASSETS	1,714,850,266	1,745,032,295

in euros

Liabilities and Equity	12.31.2010	12.31.2009
10. Payables	1,434,191,589	1,500,039,266
30. Financial liabilities held for trading	1,279,064	5,929,999
70. Tax liabilities	37,672,229	33,305,571
a) current	*26,361,320*	*21,839,492*
b) deferred	*11,310,909*	*11,466,079*
90. Other liabilities	32,521,548	15,871,819
100. Employee severance indemnities	699,489	846,371
110. Provisions for risks and charges:	4,217,342	5,731,136
a) pension funds and similar obligations	*2,433,747*	*4,571,471*
b) other provisions	*1,783,595*	*1,159,665*
120. Share capital	105,400,000	96,900,000
160. Reserves	21,385,158	19,349,583
170. Valuation reserves	24,222,976	24,222,976
180. Profit for the year	53,260,871	42,835,574
TOTAL LIABILITIES AND EQUITY	1,714,850,266	1,745,032,295

INCOME STATEMENT

in euros

Items		12.31.2010	12.31.2009
10.	Interest and similar income	130,389,332	118,364,512
20.	Interest and similar charges	(45,778,111)	(42,099,652)
	NET INTEREST MARGIN	84,611,221	76,264,860
30.	Fee and commission income	11,719,252	11,374,538
40.	Fee and commission charges	(233,886)	(347,222)
	NET FEES AND COMMISSIONS	11,485,366	11,027,316
60.	Gains / losses on trading	5,459,414	895,172
	OPERATING INCOME	101,556,001	88,187,348
100.	Impairment losses/reversals on:		
	a) financial assets	*2,096,532*	*107,238*
110.	Administrative expenses:		
	a) personnel costs	*(9,030,229)*	*(9,031,092)*
	b) other administrative expenses	*(14,322,013)*	*(12,863,416)*
120.	Impairment losses/reversals on property, plant and equipment	(1,581,759)	(1,946,268)
130.	Impairment losses/reversals on intangible assets	(283,374)	(316,230)
150.	Net provisions for risks and charges	(1,211,150)	(951,547)
160.	Other operating income/expenses	3,145,420	1,611,106
	PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	80,369,428	64,797,139
190.	Income taxes on profit from continuing operations	(27,108,557)	(21,961,565)
	PROFIT AFTER TAX FROM CONTINUING OPERATIONS	53,260,871	42,835,574
	PROFIT FOR THE YEAR	53,260,871	42,835,574

STATEMENT OF COMPREHENSIVE INCOME

in euros

Items		12.31.2010	12.31.2009
10.	Profit for the year	53,260,871	42,835,574
110.	Total Other comprehensive income after taxes	0	0
120.	COMPREHENSIVE INCOME (Items 10 + 110)	53,260,871	42,835,574

STATEMENT OF CHANGES IN EQUITY

in euros

For the year ended December 31, 2009

				Appropriation prior year profit		Change in equity during the year							
							Equity transactions						
	Opening balance 12.31.2008	Adjust. to opening balance	Opening balance 12.31.2009	Reserves	Dividends and other appropriat.	Change in reserves	New share issue	Purchase of treasury shares	Payment of extraord. dividends	Change in equity instrum.	Other changes	Comprehen. income year 2009	Equity 12.31.2009
Share capital	90,100,000		90,100,000				6,800,000						96,900,000
Share premium													
Reserves													
a) income reserves	16,640,366		16,640,366	9,509,217			(6,800,000)						19,349,583
b) other reserves													
Valuation reserves	24,222,976		24,222,976										24,222,976
Equity instruments													
Treasury shares													
Profit for the year	28,209,217		28,209,217	(9,509,217)	(18,700,000)							42,835,574	42,835,574
Equity	159,172,559		159,172,559	0	(18,700,000)		0					42,835,574	**183,308,133**

in euros

For the year ended December 31, 2010

				Appropriation prior year profit		Change in equity during the year							
							Equity transactions						
	Opening balance 12.31.2009	Adjust. to opening balance	Opening balance 12.31.2010	Reserves	Dividends and other appropriat.	Change in reserves	New share issue	Purchase of treasury shares	Payment of extraord. dividends	Change in equity instrum.	Other changes	Comprehen. income year 2010	Equity 12.31.2010
Share capital	96,900,000		96,900,000				8,500,000						105,400,000
Share premium													
Reserves													
a) income reserves	19,349,584		19,349,584	10,535,574			(8,500,000)						21,385,158
b) other reserves													
Valuation reserves	24,222,976		24,222,976										24,222,976
Equity instruments													
Treasury shares													
Profit for the year	42,835,574		42,835,574	(10,535,574)	(32,300,000)							53,260,871	53,260,871
Equity	183,308,134		183,308,134	0	(32,300,000)		0					53,260,871	**204,269,005**

STATEMENT OF CASH FLOWS INDIRECT METHOD

in euros

	12.31.2010	12.31.2009
A. Operating Activities		
1. Operations	**51,515,678**	**45,899,549**
profit for the year (+/-)	53,260,871	42,835,574
gains/losses on financial assets held for trading and on financial assets/liabilities designated at fair value through profit or loss (-/+)		
gains/losses on hedging activities (-/+)		
impairment losses/reversals (+/-)	(2,096,532)	(107,238)
impairment losses/reversals on property, plant and equipment and intangible assets (+/-)	1,865,133	2,262,498
net provisions and other costs/revenues (+/-)	(1,513,794)	908,715
unpaid indirect taxes and duties (+)		
impairment losses/reversals of disposal groups net of the tax effect (+/-)		
other (+/-)		
2. Cash flows from/used by financial assets	**(37,464,030)**	**(86,645,214)**
financial assets held for trading	808,479	(159)
financial assets designated at fair value		
available-for-sale financial assets		
due from banks	(32,380,586)	(196,531,615)
due from financial institutions		
due from customers	(11,791,213)	111,431,660
other assets	5,899,290	(1,545,100)
3. Cash flows from/used by financial liabilities	**(49,629,108)**	**(112,016,547)**
due to banks	(115,958,069)	(19,594,727)
due to financial institutions	47,444,974	(17,555,126)
due to customers	2,665,417	(48,295,462)
securities issued		
financial liabilities held for trading	(4,650,935)	(895,331)
financial liabilities designated at fair value		
other liabilities	20,869,505	(25,675,901)
Net cash flows from/used in operating activities	**39,350,600**	**20,528,216**
B. Investing Activities		
1. Cash flows from		
disposals of equity investments		
dividends collected from equity investments		
sales of held-to-maturity financial assets		
sales of property, plant and equipment		
sales of intangible assets		
disposals of business segments		
2. Cash flows used in	**(7,058,937)**	**(1,831,086)**
purchases of equity investments	(6,000,000)	(263,900)
purchases of held-to-maturity financial assets		
purchases of property, plant and equipment	(467,355)	(1,232,322)
purchases of intangible assets	(591,582)	(334,864)
purchases of business segments		
Net cash flows from/used in investing activities	**(7,058,937)**	**(1,831,086)**
C. Financing Activities		
issue/purchase of treasury shares		
issue/purchase of equity instruments		
payment of dividends and other	(32,300,000)	(18,700,000)
Net cash flows from/used in financing activities	**(32,300,000)**	**(18,700,000)**
Net increase (decrease) in cash and cash equivalents	**8,337**	**(2,870)**

RECONCILIATION

in euros

	12.31.2010	12.31.2009
Cash and cash equivalents at beginning of the year	10,642	13,512
Change in cash and cash equivalents during the year	(8,337)	(2,870)
Cash and cash equivalents at end of the year	2,305	10,642

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

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 International Accounting Standards Board (IASB), endorsed by the European Commission as established in EC Regulation 1606 of July 19, 2002 regulating the coming into force of IAS/IFRS, and all interpretations of (IFRIC) endorsed by the European Commission and in effect at the end of the reporting period.
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 drawn up according to the *"Instructions for the Preparation of the Financial Statements of the Financial Intermediaries registered in the Special List of IMELs, SGRs and SIMs"* written by Bank of Italy and issued on December 16, 2009, and subsequent additions.

Section 2 - Basis of presentation
The financial statements include the balance sheet, the income statement, the statement of comprehensive income, 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, unless otherwise indicated, 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.

Significant accounting policies
In accordance with IAS 1.108 and the Instructions contained in the December 16, 2009 Bank of Italy regulation, the most significant accounting policies are described as follows:

• Financial assets/liabilities held for trading. Financial instruments hedging exposure to interest rate risks included in this line item are measured at fair value.
• Receivables. Non-recourse receivables purchased are measured at amortized cost whereas other receivables are stated at their face value.
• Property, plant and equipment and intangible assets. These assets are stated at cost.
• Other receivables and other payables. These are stated at their face value.

Section 3 - Subsequent events
There have been no events or facts subsequent to the end of the reporting period such as to require an adjustment to the results of the financial statements for the year ended December 31, 2010.

Section 4 - Other matters

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 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. These estimates 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 main categories that require the use of estimates can be summarized as follows:
• 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 in active markets;
• measurement of investments;
• measurement of employee benefit obligations and provisions 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 provides 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 the line items where estimates are used, reference should be made to the specific sections of the notes.

Audit
The shareholders' meeting held on April 29, 2009 appointed "PricewaterhouseCoopers S.p.A." for the audit of the financial statements of the Company for the three-year period 2009, 2010 and 2011 pursuant to the provisions of art. 2409 bis of the Italian Civil Code.

New accounting standards
Among the major changes introduced in the new *"Instructions for the Preparation of the Financial Statements of the Financial Intermediaries registered in the Special List of IMELs, SGRs and SIMs"* written by Bank of Italy and issued on December 16, 2009, and subsequent additions, are the following:

A) IAS 1 revised: the statement of comprehensive income;
B) amendments to IAS 39 and IFRS 7: the reclassification of financial instruments between accounting portfolios and the relative disclosure obligations.
There are no reclassifications of financial instruments among portfolios at the end of the reporting period at December 31, 2010;
C) amendment to IFRS 7: fair value hierarchy according to (level 1, level 2 and level 3).

The fair value measurements are classified according to a hierarchy based on levels which reflect the importance of the inputs used in the measurements.

They are divided into three levels as follows:
• **level 1**: quoted prices in active markets;
• **level 2**: observable market input, other than quoted prices;
• **level 3**: inputs that are not based on observable market.
The amendment to IFRS 7 is applicable to Farmafactoring at December 31, 2010 for the fair value measurement of derivative financial instruments (level 2).

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 as compared to the fixed rate implicit in non-recourse fees and commissions.

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

Measurement criteria
Financial assets held for trading are adjusted to the relative fair value through profit or loss.
If the fair value of a financial asset becomes negative, it is recorded as a financial liability.

Since these instruments are not listed in an active market, the fair value is determined 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. Accordingly, considering that the inputs used for the measurement of financial assets held for trading are different from the quoted prices but observable directly or indirectly in the market, in accordance with the Instructions for the preparation of financial statements issued by Bank of Italy on December 16, 2009, and subsequent explanations, the fair value hierarchy is level 2.

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, held-to-maturity financial assets or assets measured at fair value.
Monetary market securities, other debt instruments and equity securities may be classified as available-for-sale financial assets which can, for any reason, such as liquidity requirements or changes in interest rates, in exchange rates or in the prices of equity securities, be sold.
The investment in Nomisma S.p.A. is recognized on this line since it is not subject to a "significant influence".

Measurement criteria
Available-for-sale financial assets (except for investments in equity instruments that are not listed in active markets and whose fair value 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

Non-recourse receivables:

a) non-recourse receivables purchased, with the transfer of substantially all the risks and rewards of ownership, are recognized initially at fair value, represented by the face value of the receivable net of fees and commissions charged to the assignor.

b) receivables purchased for amounts below face value 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 new due date of such receivables is the expected collection date determined at the time of quotation and formalized with the assignor in the sales contract.

The measurement of performing receivables includes receivables that despite being past due more than 90/180 or 270 days show no objective elements of a loss either at an individual or a collective level of the portfolio.

Nevertheless, such receivables are included in impaired assets in accordance with Bank of Italy's December 16, 2009 instructions for the preparation of financial statements, even though, as mentioned above, there are no profiles of risk.

Under IAS 39, and for the purposes of an analytical valuation, the Company carried out an assessment of the financial assets classified in receivables in order to identify any impairment of individual positions.

Such non-performing receivables are measured by adjusting receivables to 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 Investments

Recognition and classification criteria
These consist of equity investments in which the Company has control.
Specifically, this refers to the company Farmafactoring España S.L., a wholly-owned subsidiary recognized initially at cost. Cost is represented by the value of share capital subscribed to and the costs incurred for setting up the company.

Measurement criteria
The investment is valued at cost and is adjusted by any impairment in the carrying amount and recognized in the income statement.

Derecognition criteria
Investments are derecognized when the contractual rights to the cash flows from the investment expire or when the investments are sold with the transfer of substantially all the risks and rewards deriving from their ownership.

A.2.5 Property, plant and equipment

Recognition and classification criteria
Property, plant and equipment include assets and buildings, plant, other machines and equipment held for use in the business 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 were 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 derecognized 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.2.6 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 costs of intangible assets are 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 assets are tested for impairment whenever there is an indication that the carrying amount may not be recoverable.
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.2.7 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.2.8 Payables

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

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

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

A.2.9 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 to present value at the measurement date the indemnity accrued to December 31, 2006 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.2.10 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 provisions for risks and charges are 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, where necessary, 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.2.11 Recognition of revenues
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 to the extent determined in accordance with 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.

A.3 - Fair value disclosure

All amounts are expressed in thousands of euros

A.3.1 Transfers between portfolios

In 2010, as in 2009, no financial assets have been reclassified.

A.3.2 Fair value hierarchy

A.3.2.1 Accounting portfolios: breakdown by fair value levels

Financial assets/Liabilities measured at fair value	Level 1	Level 2	Level 3	Total
1. Financial assets held for trading		808		808
2. Financial assets measured at fair value				
3. Available-for-sale financial assets				
4. Hedging derivative assets				
Total		808		808
1. Financial liabilities held for trading		1,279		1,279
2. Financial liabilities measured at fair value				
3. Hedging derivative liabilities				
Total		1,279		1,279

Compared to December 31, 2009, there have been no reclassifications between Level 1 and Level 2.

The above financial assets/liabilities held for trading refer to financial derivatives at fair value classified in Level 2 in that the inputs used for measurement can be observed directly or indirectly and are not quoted prices in an active market.
Such financial instruments hedge the change in market rates compared to the fixed rate implicit in non-recourse fees and commissions relating to the activities for the purchase of non-recourse receivables.
At December 31, 2010, the fair value is measured using estimation methods and measurement models recognized on the market and certified. They take into account all the related factors of risk, based on data taken from the market, where possible. The change in fair value of such financial assets and liabilities compared to December 31, 2009 is recognized in income under gains/losses on trading (+/-).

At December 31, 2010, as in the prior year, there are no financial assets/liabilities measured at fair value at "Level 3", (inputs not based on observable market data); during the year there were no changes involving such assets/liabilities.

A.3.3 Day one profit/loss

At December 31, 2010, there are no financial assets measured at fair value at "Level 3", hence the market of financial instruments is not active and the inputs are not based on observable market data.

Part B - Balance Sheet

All amounts are expressed in thousands of euros.

ASSETS

Section 1 - Cash and cash balances - Item 10
Euros 2

Breakdown of item10 "Cash and cash balances"

Cash and cash balances are represented by the cash fund.
There are no significant changes compared to December 31, 2009.

Section 2 - Financial assets held for trading - Item 20
Euros 808

Financial assets held for trading at December 31, 2010 and December 31, 2009 refer, in both periods, to financial derivatives issued by banks.

2.1 Financial assets held for trading: product breakdown

	Total 12.31.2010			Total 12.31.2009		
Items/Amounts	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Financial assets						
1. Debt securities						
- structured						
- other						
2. Equity securities and units in investment funds						
3. Financing						
Total A						
B. Derivative financial instruments						
1. Financial derivatives		808			0	
2. Credit derivatives						
Total B		808			0	
Total A+B		808			0	

At December 31, 2010, the value of the assets connected to the fair value of the financial derivatives held for trading is Euros 808, and the notional value of reference is Euros 198,000.

2.2 Derivative financial instruments

Types / Underlyings	Interest rate	Currency	Equity securities	Other	Total 12.31.2010	Total 12.31.2009
1. Over the counter						
Financial derivatives						
- Fair value	*808*				*808*	*0*
- Notional amount	198,000				198,000	0
Credit derivatives						
- Fair value						
- Notional amount						
Total	808				808	0
2. Other						
Financial derivatives						
- Fair value						
- Notional amount						
Credit derivatives						
- Fair value						
- Notional amount						
Total						
Total	808				808	0

2.3 Financial assets held for trading: composition by debtors/issuers

Items / Amounts	Total 12.31. 2010	Total 12.31.2009
Financial assets		
a) Governments and central banks		
b) Other public sector entities		
c) Banks		
d) Financial institutions		
e) Other issuers		
Derivative financial instruments		
a) Banks	808	0
b) Other issuers		
Total	808	0

Section 4 - Available-for-sale financial assets - Item 40
Euros 27

Available-for-sale financial assets represent the investment in the company Nomisma S.p.A. - Società di Studi Economici.
Information about the investment is as follows:

Description	Carrying amount (in euros)	No. of shares purchased	Par value per share (in euros)	Percentage of investment holding
Nomisma S.p.A.	26,886.79	72,667	0.37	0.503%

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

amounts in euros, referring to December 31, 2009

Head office	Bologna - Strada Maggiore n. 44
Share capital	Euros 5,345,327.84 fully paid in
Equity	5,335,320
Loss for the year	(68,920)

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

Items / Amounts	Total 12.31.2010	Total 12.31. 2009
Financial assets		
a) Governments and central banks		
b) Other public sector entities		
c) Banks		
d) Financial institutions		
e) Other issuers	27	27
Total	27	27

4.3 Available-for-sale financial assets: annual changes

Changes / Types	Debt securities	Equity securities and units in investment funds	Financing	Total
A. Beginning balance		27		27
B. Increases				
B.1 Purchases				
B.2 Positive fair value changes				
B.3 Impairment reversals				
- through profit or loss				
- in equity				
B.4 Transfers from other portfolios				
B.5 Other changes				
C. Decreases				
C.1 Sales				
C.2 Reimbursements				
C.3 Negative fair value changes				
C.4 Impairment losses				
C.5 Transfers to other portfolios				
C.6 Other changes				
D. Ending balance		27		27

Section 6 - Receivables - Item 60
Euros 1,662,693

The item mainly includes receivables from debtors for factoring activities.

6.1 "Due from banks"
Euros 84,153

"Due from banks" amounts to Euros 84,153 and includes the current account balances with banks at December 31, 2010.
The item includes liquidity deriving from collections received in the final days of the year, pending clearance, relating to both the management of the "mandate" for receivables collection and the management of "non-recourse receivables purchased".
The balance consists of amounts due on demand and is therefore included in the short-term category with a residual term "up to three months".

Breakdown	Total 12.31.2010	Total 12.31.2009
1. Deposits and current accounts	84,153	116,533
2. Financing		
2.1 Repurchase agreements		
2.2 Finance leases		
2.3 Factoring activities		
- receivables from assignors		
- receivables from assigned debtors		
2.4 Other financing		
3. Debt securities		
- structured		
- other		
4. Other assets		
Total carrying amount	84,153	116,533
Total fair value	84,153	116,533

6.3 "Due from financial institutions"
Euros 1,275

	Total 12.31.2010		Total 12.31.2009	
Breakdown	Performing	Impaired	Performing	Impaired
1. Financing				
1.1 Repurchase agreements				
1.2 Finance leases				
1.3 Factoring activities				
- recourse				
- non-recourse				
1.4 Other financing				
2. Debt securities				
- structured				
- other				
3. Other assets	1,275		1,275	
Total carrying amount	1,275		1,275	
Total fair value	1,275		1,275	

"Due from financial institutions" refers to the deferred price reserve in connection with the sales of receivables, from the ASLs and the AOs, to the vehicle company Justine Capital S.r.l.

6.5 "Due from customers"
Euros 1,577,265

The breakdown of "Due from customers" is as follows:

• performing non-recourse receivables purchased, recorded in the name of the assigned debtor, which meet the conditions for derecognition, measured at amortized cost, with a balance of Euros 1,565,775.
There are no such receivables in the category "past due receivables not impaired" (Circular 217 of August 5, 1996 – 9th update of February 2, 2011 *"Manual for the Compilation of Regulatory Reporting for the Financial Intermediaries registered in the Special List"*.
Non-recourse receivables are mainly purchased when already past due and the principal portion of the receivables is deemed collectible;
• Impaired Assets, inclusive of exposure for purchases below face value, total Euros 4,118 and comprise:
- Non-performing receivables, for Euros 88. Compared to last year, this is a reduction in the net exposure of about Euros 3.8 million, mainly owing to the payment received from the entity *"Fondazione Ordine Mauriziano"* under Liquidation Management in Turin in February and December 2010 for a total of Euros 3.9 million;
- Doubtful receivables, for Euros 582;
- Past due receivables, for Euros 3,448;

• receivables from assignors for advances made on with recourse receivables for Euros 499;
• other receivables due from customers referring to advances, commissions to be invoiced to assignors and interest on extended payment terms granted and to be charged to debtors for Euros 4,638;
• receivables from assignors for legal fees to be recovered for Euros 2,235;
• receivables for interest on late payments invoiced up to December 31, 2010 amounting to Euros 166,635 which are fully offset by an accrual to the provision for interest on late payments for the same amount, resulting in a nil effect. 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.

Past due receivables amount to Euros 3,448 and consist of receivables from central administrations and central banks, territorial entities, public sector entities, non-profit entities and companies which at December 31, 2010 are past due more than 90/180 days.
Specifically, exposure with 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.

"Objective" Doubtful receivables amount to Euros 582 and are composed of exposure with parties that are in temporary situations of objective difficulty which are expected to pass within a suitable period of time.

Non-performing receivables amount to Euros 88 and consist of exposure with parties that are in a state of insolvency or basically in similar situations, regardless of any provisions for loss set aside by the Company.
Non-performing receivables, therefore, include all doubtful uncollectible receivables, net of writedowns for estimated losses on receivables and any writebacks.

Receivables purchased below face value, net of writedowns, amount to Euros 252 at December 31, 2010.

At December 31, 2010, the realizable value of receivables purchased below face value is equal to Euros 196.

	Total 12.31.2010		Total 12.31.2009	
Breakdown	Performing	Impaired	Performing	Impaired
1. Finance leases				
of which, without final purchase option				
2. Factoring				
- recourse	499		2,197	
- non-recourse	1,565,775	4,118	1,562,912	13,330
3. Consumer credit (including revolving cards)				
4. Credit cards				
5. Other financing	4,638		6,001	
of which:				
from guarantees and commitments				
6. Debt securities				
- structured				
- other				
7. Other assets	2,235		2,520	
Total carrying amount	1,573,147	4,118	1,573,630	13,330
Total fair value	1,573,147	4,118	1,573,630	13,330

Legal action has been taken with the aim of accelerating credit recovery.

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 reliably determine the price of 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 499

Guaranteed receivables refer to advances made to assignors under transactions for recourse receivables.
The VE column (carrying amount of exposures in the financial statements) indicates the amount of advances and the VG column (fair value of the guarantees) shows the receivables underlying those same advances.
In this case, the amount of the value of the guarantees, equal to Euros 1,263 at December 31, 2010, exceeds the value of the assets guaranteed, and therefore, in accordance also with the instruction by Bank of Italy (note 116897 of February 12, 2010), the VG column carries the same amount as the VE column.

	Total 12.31.2010						Total 12.31.2009					
	Due from banks		Due from financial institutions		Due from customers		Due from banks		Due from financial institutions		Due from customers	
	VE	VG	VE	VG	VE	VG	VE	VG	VE	VG	VE	VG
1. Performing assets guaranteed by:												
- Assets under finance leases												
- Receivables for factoring					499	499					2,197	2,197
- Mortgages												
- Liens												
- Personal guarantees												
- Derivatives on receivables												
2. Impaired assets guaranteed by:												
- Assets under finance leases												
- Receivables for factoring												
- Mortgages												
- Liens												
- Personal guarantees												
- Derivatives on receivables												
Total					499	499					2,197	2,197

Section 9 - Investments - Item 90

Euros 6,264

Investments refer to the company Farmafactoring España S.L., a wholly-owned subsidiary of Farmafactoring S.p.A.
The investment amounts to Euros 6,264 and refers to share capital fully paid in by the sole shareholder, Farmafactoring S.p.A., and incidental charges in connection with setting up the company and starting-up activities in the Spanish market.

9.1 Investments: information

Key information on the investment in Farmafactoring España S.L. is as follows:

Name	Carrying amount	Holding %	Voting rights %	Headquart.	Total assets	Total revenues	Equity	Profit/loss	Listed (Yes/No)
A. Subsidiaries wholly-owned									
1. Farmafactoring España S.L.	6,264	100%	100%	Madrid (E)	122	1	89	(39)	No
B. Subsidiaries under joint control									
C. Companies under significant influence									

Farmafactoring España S.L. will commence activities in 2011 with the aim of cutting out a niche in the Spanish market of healthcare receivables factoring and replicating the elements of the Italian operating model.

9.2 Annual changes in investments

	Group investments	Non-Group investments	Total
A. Beginning balance	264		264
B. Increases			
B.1 Purchases	6,000		6,000
B.2 Impairment reversals			
B.3 Revaluations			
B.4 Other changes			
C. Decreases			
C.1 Sales			
C.2 Impairment losses			
C.3 Other changes			
D. Ending balance	6,264		6,264

Section 10 - Property, plant and equipment - Item 100
Euros 14,384

10.1 Breakdown of item 100 "Property, plant and equipment"

Items / Measurement	Total 12.31.2010		Total 12.31.2009	
	Assets accounted for at cost	Assets measured at fair value or revalued	Assets accounted for at cost	Assets measured at fair value or revalued
1. Property, plant and equipment				
1.1 owned				
a) land	3,685		3,685	
b) buildings	8,590		9,227	
c) furniture and fixtures	269		342	
d) for use in the business	1,198		1,441	
e) other	642		803	
1.2 purchased under finance leases				
a) land				
b) buildings				
c) furniture and fixtures				
d) for use in the business				
e) other				
Total 1	14,384		15,498	
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: under operating leases (to specify)				
Total 3				
Total (1+2+3)	14,384		15,498	
Total (Assets at cost and revalued)	14,384		15,498	

10.2 Property, plant and equipment: annual changes

	Land	Buildings	Furniture and fixtures	For use in the business	Other	Total
A. Beginning balance	3,685	9,227	342	1,441	803	15,498
B. Increases						
B.1 Purchases			21	446		467
B.2 Impairment reversals						
B.3 Positive fair value changes allocated to:						
a) equity						
b) profit or loss						
B.4 Other changes						
C. Decreases						
C.1 Sales						
C.2 Depreciation		(637)	(94)	(689)	(161)	(1,581)
C.3 Impairment losses allocated to:						
a) equity						
b) profit or loss						
C.4 Negative fair value changes allocated to:						
a) equity						
b) profit or loss						
C.5 Other changes						
D. Ending balance	3,685	8,590	269	1,198	642	14,384

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 the buildings of about Euros 4 million.
In the financial statements, the value of the land and building owned in Milan (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 of the entire building.

Increases in "For use in the business" refer mainly to the investments in electronic machines.

Section 11 - Intangible assets - Item 110
Euros 963

11.1 Breakdown of item 110 "Intangible assets"

	12.31.2010		12.31.2009	
	Assets accounted for at cost	Assets measured at fair value	Assets accounted for at cost	Assets measured at fair value
1. Goodwill				
2. Other intangible assets				
2.1 owned				
- generated internally				
- other	963		655	
2.2 purchased under finance leases				
Total 2	963		655	
3. Assets purchased under finance leases				
3.1 unopted assets				
3.2 assets purchased at end of lease				
3.3 other assets				
Total 3				
4. Assets under operating leases				
Total (1+2+3+4)	963		655	
Total	963		655	

11.2 Intangible assets: annual changes

	Total
A. Beginning balance	655
B. Increases	
B.1 Purchases	592
B.2 Impairment reversals	
B.3 Positive fair value changes allocated to	
- equity	
- profit or loss	
B.4 Other changes	
C. Decreases	
C.1 Sales	
C.2 Amortization	(284)
C.3 Impairment losses allocated to	
- equity	
- profit or loss	
C.4 Negative fair value changes allocated to	
- equity	
- profit or loss	
C.5 Other changes	
D. Ending balance	963

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.

Section 12 - Tax assets and liabilities

12.1 Breakdown of item 120 "Tax assets: current and deferred"
Euros 25,031

	Total 12.31.2010	Total 12.31.2009
A) Current tax assets		
IRAP on-account payments	3,551	2,676
IRES on-account payments	17,767	11,601
other		
Total	21,318	14,277
B) Deferred tax assets		
deferred tax assets	3,713	4,777
Total	3,713	4,777
Total	25,031	19,054

12.2 Breakdown of item 70 "Tax liabilities: current and deferred"
Euros 37,672

	Total 12.31.2010	Total 12.31.2009
A) Current tax liabilities		
prior year residual amount	161	158
IRAP and IRES charge	26,200	21,682
Total	26,361	21,840
B) Deferred tax liabilities	11,311	11,466
Total	37,672	33,306

The Company received a tax assessment on November 30, 2009 from the Tax Revenue Agency for the year 2004 which regards the write-back of depreciation and amortization in excess of the deductible amount.
On December 26, 2010, the Company received a tax assessment for the year 2005 in which a higher taxable income was assessed for approximately Euros 635.
The observations originate from the content of the Note of Findings notified to the Company on July 21, 2009 following an inspection by the Tax Revenue Agency for the years 2004-2007.

Following a hearing on November 11, 2010, the Provincial Tax Commission issued its ruling on January 20, 2011. In the opinion of the tax consultant, the ruling is to be judged favorable in that it allows the Company to consider the approach and conduct adopted as correct for both statutory and tax purposes not only in 2004 but also in 2005 and in subsequent years.

The Company did not consider it necessary to set aside an amount in the financial statements for the existing dispute since it believes the observation is based upon an arbitrary interpretation and well-founded reasons exist for obtaining the definitive cancellation of the claims.

12.3 Changes in deferred tax assets (through profit or loss)
Euros 3,713

	Total 12.31.2010	Total 12.31.2009
1. Beginning balance	4,777	5,058
2. Increases		
2.1 Deferred tax assets recognized during the year		
a) relating to prior years		436
b) due to changes in accounting policies		
c) impairment reversals		
d) other	444	
2.2 New taxes or tax rate increases		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax assets canceled during the year		
a) reversals	(1,508)	(717)
b) writeoffs due to non-recoverability		
c) due to changes in accounting policies		
d) other		
3.2 Tax rate reductions		
3.3 Other decreases		
4. Ending balance	3,713	4,777

12.4 Change in deferred tax liabilities (through profit or loss)
Euros 11,311

	Total 12.31.2010	Total 12.31.2009
1. Beginning balance	11,466	11,468
2. Increases		
2.1 Deferred tax liabilities recognized during the year		
a) relating to prior years		
b) due to changes in accounting policies		
c) other		
2.2 New taxes or tax rate increases	4	0
2.3 Other increases		
3. Decreases		
3.1 Deferred tax liabilities canceled during the year		
a) reversals	(159)	(2)
b) due to changes in accounting policies		
c) other		
3.2 Tax rate reductions		
3.3 Other decreases		
4. Ending balance	11,311	11,466

Section 14 - Other assets . Item 140

14.1 Breakdown of item 140 "Other assets"
Euros 4,678

Details	Total 12.31.2010	Total 12.31.2009
Security deposits	17	22
Other receivables	385	390
Accrued income and prepaid expenses	4,276	4,344
Total	4,678	4,756

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

LIABILITIES AND EQUITY

Section 1 - Payables - Item 10
Euros 1,434,192

1.1 Payables

Items	Total 12.31.2010			Total 12.31.2009		
	due to banks	due to financial institutions	due to customers	due to banks	due to financial institutions	due to customers
1. Financing						
1.1 repurchase agreements						
1.2 other financing	1,305,599	65,000		1,421,557	17,555	
2. Other amounts due			63,593			60,927
Total	1,305,599	65,000	63,593	1,421,557	17,555	60,927
Fair value	1,305,599	65,000	63,593	1,421,557	17,555	60,927

"Other financing" refers to exposure with banking institutions and financial institutions.

"Due to financial institutions" refers to loans extended by:
• International Factors Italia S.p.A. - IFITALIA, amounting to Euros 60,000 at December 31, 2010, regulated by normal market conditions, with expiration of the credit line on September 24, 2011.
• the parent, FF Holding S.p.A., for Euros 5,000, regulated by normal market conditions, due on June 30, 2011.

Section 3 - Financial liabilities held for trading - Item 30
Euros 1,279

The amounts at December 31, 2010 and at December 31, 2009 refer to financial derivatives issued by banks.

3.1 Breakdown of item 30 "Financial liabilities held for trading"

	Total 12.31.2010					Total 12.31.2009				
	Fair value					*Fair value*				
Liabilities	L1	L2	L3	FV	VN	L1	L2	L3	FV	VN
A. Financial liabilities										
1. Payables										
2. Debt securities										
- bonds										
- structured										
- other bonds										
- other securities										
- structured										
- other										
B. Derivatives										
1. Financial derivatives		1,279		1,279	103,000		5,930		5,930	322,500
2. Credit derivatives										
Total		1,279		1,279	103,000		5,930		5,930	322,500

At December 31, 2010, the value of the liabilities connected to the fair value of the financial derivatives held for trading is Euros 1,279, and the notional value of reference is Euros 103,000.

3.3 "Financial liabilities held for trading": derivative financial instruments

Types/Underlyings	Interest rates	Currency	Equity securities	Other	Total 12.31.2010	Total 12.31.2009
1. Over the counter						
Financial derivatives						
- Fair value	*1,279*				*1,279*	*5,930*
- Notional amount	103,000				103,000	322,500
Credit derivatives						
- Fair value						
- Notional amount						
Total	1,279				1,279	5,930
2. Altri						
Financial derivatives						
- Fair value						
- Notional amount						
Credit derivatives						
- Fair value						
- Notional amount						
Total						
Total	1,279				1,279	5,930

Section 7 - Tax liabilities - Item 70

See "Section 12 - Tax assets and liabilities" under assets in the balance sheet.

Section 9 - Other liabilities - Item 90

Euros 32,522

9.1 Breakdown of item 90 "Other liabilities"

Details	Total 12.31.2010	Total 12.31.2009
Payables to suppliers and invoices to be received	6,625	5,953
Payables to the parent	191	0
Payables to the subsidiary	6,000	0
Payables to the tax authorities	470	309
Payables to social securities agencies	391	268
Payables to employees	2,178	1,919
Payables for receivables management	1,182	580
Collections pending allocation	2,011	3,535
Other payables	10,360	925
Accrued liabilities and deferred income	3,114	2,383
Total	32,522	15,872

"Payables to suppliers and invoices to be received" refer to purchases of goods and services.

"Collections pending allocation" refer to payments received by December 31, 2010, pending clearance, and recorded on that date.

"Payables to the subsidiary" refers to the capital increase by the Spanish subsidiary, Farmafactoring España S.L., to be paid over a maximum period of four months by the sole shareholder Farmafactoring S.p.A.. The first part of the capital increase was paid in for Euros 1 million on January 25, 2011 and the second for Euro 3 million in March 2011.

"Other payables" include the quota of collections to be transferred to International Factors Italia S.p.A. – IFITALIA relating to the pool loan.

"Accrued liabilities and deferred income" include interest accrued on loans.

Section 10 - Employee severance indemnities - Item 100
Euros 699

10.1 "Employee severance indemnities": annual changes

	Total 12.31.2010	Total 12.31.2009
A. Beginning balance	846	826
B. Increases		
B.1 Provision for the year	232	210
B.2 Other increases		
C. Decreases		
C.1 Payments made	(152)	(1)
C.2 Other decreases	(227)	(189)
D. Ending balance	699	846

10.2 Other information
The liability recognized in the financial statements at December 31, 2010 represents the present value of the obligation estimated by an independent actuarial firm.
"Other decreases" include actuarial differences recognized directly in profit or loss.
The results of the actuarial calculations reflect the impact of Law 296/2006 and the calculation, for purposes of IAS 19, refers solely to employee severance indemnity matured and not transferred to supplementary pension funds or to the INPS treasury fund.

Section 11 - Provisions for risks and charges - Item 110
Euros 4,217

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

	Total 12.31.2010	Total 12.31.2009
Pension funds and similar obligations	2,433	4,571
Other provisions	1,784	1,160
Total	4,217	5,731

11.2 "Provisions for risks and charges": annual changes

	Total 12.31.2010	Total 12.31.2009
Beginning balance	5,731	4,822
Increases		
Provision for the year	1,211	951
Decreases		
Use during the year	(2,725)	(42)
Ending balance	4,217	5,731

Section 12 - Equity - Items 120, 130, 140 and 150
Euros 151,008

12.1 Breakdown of item 120 "Share capital"
Euros 105,400

Types	Amount
1. Share capital	
1.1 Ordinary shares	105,400
1.2 Other shares (to specify)	

The shareholders, in the special shareholders' meeting held on April 29, 2010, passed a resolution for a bonus increase in share capital from Euros 96,900 to Euros 105,400, drawn from "Retained earnings".
Therefore, at December 31, 2010, share capital consists of 1,700,000 ordinary shares of par value Euros 62.00 each, for a total of Euros 105,400.

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

	12.31.2010	Possibility of utilization (a)	Amount available	Summary of utilization in the last three years	
				For absorption of losses	For absorption of losses
Share capital	105,400				
Reserves	21,385				
- Legal reserve	11,549	B			
- Extraordinary reserve	88	A,B,C	88		
- Retained earnings	9,748	A,B,C	9,748		(*) 20,400
Valuation reserves	24,223				
- Measurement of property, plant and equipment at estimated cost	2,791	A,B			
- Other	21,432	A,B,C	21,432		
Total Share capital and Reserves	151,008		31,268		20,400

(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, from Euros 85,000 in 2007 to Euros 105,400 in 2010.

Changes in reserves are as follows:

	Legal reserve	Retained earnings	Other reserves: Extraordinary	Total
A. Beginning balance	9,407	9,854	88	19,349
B. Increases				
B.1 Appropriation of profit	2,142	8,394		10,536
B.2 Other changes				
C. Decreases				
C.1 Use for the year				
- absorption of losses				
- distribution				
- transfer to share capital		(8,500)		(8,500)
C.2 Other changes				
D. Ending balance	11,549	9,748	88	21,385

Legal reserve
The increase in the legal reserve of Euros 2,142 compared to the prior year is due to the appropriation of the profit for the year ended December 31, 2009, as approved by the ordinary shareholders' meeting held on April 29, 2010.

Retained earnings
The increase in retained earnings of Euros 8,394 compared to the prior year is due to the appropriation of the profit for the year ended December 31, 2009, as approved by the ordinary shareholders' meeting held on April 29, 2010.
The subsequent decrease of Euros 8,500 refers to the appropriation to increase share capital from Euros 96,900 to Euros 105,400 drawn from "Retained earnings", as approved by the special shareholders' meeting held on April 29, 2010.

Valuation reserves
The balance of the Valuation reserves has remained unchanged compared to the prior year and is equal to Euros 24,223. The composition is as follows:
- "Valuation reserve: property, plant and equipment for use in the business", for Euros 2,791;
- "Valuation reserve: special revaluation laws", per Euros 21,432.

	Available-for-sale financial assets	Property, plant and equipment	Intangible assets	Cash flow hedges	Special revaluation laws	Other	Total
A. Beginning balance		2,791			21,432		24,223
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		2,791			21,432		24,223

Part C - Income Statement

All amounts are expressed in thousands of euros.

Section 1 - Interest - Items 10 and 20

1.1 Breakdown of item 10 "Interest and similar income"
Euros 130,389

Items / Technical forms	Debt securities	Financing	Other transactions	Total 12.31.2010	Total 12.31.2009
1. Financial assets held for trading					
2. Financial assets measured at fair value					
3. Available-for-sale financial assets					
4. Held-to-maturity financial assets					
5. Receivables					
5.1 Due from banks			512	512	1,857
5.2 Due from financial institutions			28	28	81
5.3 Due from customers		69,263	60,586	129,849	116,426
6. Other assets			0	0	1
7. Hedging derivatives					
Total		69,263	61,126	130,389	118,365

There is no interest recognized during the year on positions that are classified as "impaired" at December 31, 2010.

1.2 Interest and similar income: other information
Interest "Due from banks" refers to temporary cash on hand in the bank current accounts.

Interest "Due from customers" for financing totals Euros 69,263 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 criterion 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.

Interest "Due from customers" for other transactions includes Euros 57,192 of interest on late payments collected during the year, with an increase of Euros 18,007 compared to collections in the prior year.

1.3 Breakdown of item 20 "Interest and similar charges"
Euros 45,778

Items / Technical forms	Financing	Securities	Other	Total 12.31.2010	Total 12.31.2009
1. Due to banks	32,915		1,949	34,864	32,766
2. Due to financial institutions			4,599	4,599	470
3. Due to customers			114	114	270
4. Securities issued					
5. Financial liabilities held for trading			6,201	6,201	8,593
6. Financial liabilities measured at fair value					
7. Other liabilities			0	0	1
8. Hedging derivatives					
Total	32,915		12,863	45,778	42,100

Interest "Due to banks - Financing" relates to loans received from the banking system.

Interest "Due to banks - Other" and "Due to financial institutions - Other" include charges on the sale of receivables.

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.

Section 2 - Fees and commissions - Items 30 and 40

2.1 Breakdown of item 30 "Fee and commission income"

Euros 11,720

Details	Total 12.31.2010	Total 12.31.2009
1. Finance lease transactions		
2. Factoring transactions		
3. Consumer credit		
4. Merchant banking activities		
5. Guarantees given		
6. Services for:		
- funds management on behalf of third parties		
- currency trading		
- product distribution		
7. Collection and payment services	11,682	11,374
8. Securitization servicing	38	0
9. Other fees and commissions (to specify)		
Total	11,720	11,374

2.2 Breakdown of item 40 "Fee and commission charges"

Euros 234

Details / Sectors	Total 12.31.2010	Total 12.31.2009
1. Guarantees received		
2. Distribution of services by third parties		
3. Collection and payment services		
4. Other commissions (to specify):		
- bank account charges	183	196
- commissions for funds availability	24	116
- other banking expenses	27	35
Total	234	347

Section 4 - Gains/losses on trading" - Item 60
Euros 5,459

4.1 Breakdown of item 60 "Gains/losses on trading"

Items / Income components	Gains	Gains on trading	Losses	Losses on trading	Net profit (loss)
1. Financial assets					
1.1 Debt securities					
1.2 Equity securities and units in investment funds					
1.3 Financing					
1.4 Other assets					
2. Financial liabilities					
2.1 Debt securities					
2.2 Payables					
2.3 Other liabilities					
3. Financial assets and liabilities: foreign exchange differences					
4. Financial derivatives		5,459			5,459
5. Credit derivatives					
Total		5,459			5,459

Fair value changes in derivatives

	Carrying amount	Change
Financial assets held for trading		
Amount at December 31, 2009	0	
Amount at December 31, 2010	808	808
Financial liabilities held for trading		
Amount at December 31, 2009	5,930	
Amount at December 31, 2010	1,279	4,651
Gains/losses on trading		5,459

Section 8 - Impairment losses/reversals - Item 100

8.1 "Impairment losses/reversals on financial assets"
Euros (2,096)

Items / Impairment losses and reversals	Impairment losses		Impairment reversals		Total 12.31.2010	Total 12.31.2009
	specific	portfolio	specific	portfolio		
1. Due from banks						
- for leasing						
- for factoring						
- other						
2. Due from financial institutions						
- for leasing						
- for factoring						
- other						
3. Due from customers						
- for leasing						
- for factoring	1,795		(3,891)		(2,096)	(107)
- for consumer credit						
- other						
Total	1,795		(3,891)		(2,096)	(107)

Section 9 - Administrative expenses - Item 110
Euros 23,352

9.1 Breakdown of item 110.a "Personnel costs"
Euros 9,030

Items / Sectors	Total 12.31.2010	Total 12.31.2009
1. Employees		
a) wages and salaries	5,104	5,339
b) social security charges	1,630	1,669
c) employee severance indemnity charges		
d) pension charges		
e) provision for employee severance indemnity	217	212
f) provision for pension and similar obligations		
- defined contribution		
- defined benefit		
g) payments to supplementary external pension funds		
- defined contribution	61	73
- defined benefit		
h) other expenses	527	650
2. Other employees in service	526	338
3. Directors and statutory auditors	965	750
4. Early retirement costs		
5. Recovery of expenses for employees on secondment to other companies		
6. Reimbursement of expenses for employees on secondment with the company		
Total	9,030	9,031

9.2 Average number of employees by category

number

Category	Average number 2010	Average number 2009
Managers	6	6
Supervisors	22	21
Remaining staff	53	50
Total	81	77

9.3 Breakdown of item 110.b "Other administrative expenses"
Euros 14,322

Details	Total 12.31.2010	Total 12.31.2009
Legal fees	2,616	2,667
Data processing costs	505	481
External receivables management services	849	720
Compensation to Supervisory Board	97	75
Legal fees for receivables under management	1,143	598
Notary fees	490	604
Notary fees to be recovered	34	0
Corporate hospitality and donations	725	797
Maintenance expenses	751	912
Non-deductible VAT	1,551	1,402
Other indirect taxes and duties	92	79
Consulting fees	3,197	2,631
Office operating expenses	688	576
Other expenses	1,584	1,322
Total	14,322	12,864

This item includes legal fees of Euros 1,143 incurred on behalf of the assignor companies which were fully recovered and included in other operating income.

Details of costs for outsourced services included in "Other administrative expenses" in 2010 mainly include the following:

Details	Total 12.31.2010
Audit fees (external firm)	102
Internal audit fees (external firm)	66
Data processing fees (external firms)	505
Collection fees (external firms)	849

Section 10 - Impairment losses/reversals on property, plant and equipment - Item 120
Euros 1,581

10.1 Breakdown of item 120 "Impairment losses/reversals on property, plant and equipment"

Items / Impairment losses and reversals	Depreciation (a)	Impairment losses (b)	Impairment reversals (c)	Net result (a+b-c)
1. Property plant and equipment				
1.1 owned				
a) land				
b) buildings	637			637
c) furniture and fixtures	94			94
d) used in the business	689			689
e) other	161			161
1.2 purchased under finance leases				
a) land				
b) buildings				
c) furniture and fixtures				
d) used in the business				
e) other				
2. Assets purchased under finance leases				
3. Assets held for investment				
of which, under operating leases				
(to specify)				
Total	1,581			1,581

Section 11 - Impairment losses/reversals on intangible assets - Item 130
Euros 284

11.1 Breakdown of item 130 "Impairment losses/reversals on intangible assets"

Items / Impairment losses and reversals	Amortization (a)	Impairment losses (b)	Impairment reversals (c)	Net result (a+b-c)
1. Goodwill				
2. Other intangible assets				
2.1 owned	284			284
2.2 purchased under finance leases				
3. Assets purchased under finance leases				
4. Assets under operating leases				
Total	284			284

Section 13 - Net provisions for risks and charges - Item 150
Euros 1,211

13.1 Breakdown of item 150 "Net provisions for risks and charges"
Provisions recorded, compared to the prior year, are as follows:

Details	Total 12.31.2010	Total 12.31.2009
Provision for pension funds and similar obligations	346	751
Other provisions	865	200
Total	1,211	951

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

Section 14 - Other operating income and expenses - Item 160
Euros 3,145

14.1 Breakdown of item 160 "Other operating income"

Details	Total 12.31.2010	Total 12.31.2009
1. Operating income		
- Recovery of legal fees for purchases of non-recourse receivables	1,205	707
- Recovery of legal fees for credit management of receivables	1,143	598
- Receivables realized at other than face value	196	121
- Prior period items	917	847
- Recovery of notary expenses from assignors	34	0
- Other income	129	117
Total (1)	3,624	2,390
2. Operating expenses		
- Prior period items	(405)	(637)
- Rounding and rebates	(74)	(142)
Total (2)	(479)	(779)
Total (1+2)	3,145	1,611

Section 17 - Income taxes on profit from continuing operations - Item 190

Euros 27,108

17.1 Breakdown of item 190 "Income taxes on profit from continuing operations"

	Total 12.31.2010	Total 12.31.2009
1. Current income taxes	26,200	21,681
2. Adjustment to current income taxes of prior years		
3. Reduction in current income taxes for the year		
4. Changes in deferred tax assets	1,063	282
5. Changes in deferred tax liabilities	(155)	(2)
Income taxes for the year	27,108	21,961

17.2 Reconciliation of theoretical tax and effective tax charge

Details	IRES	IRAP
Taxable profit used for tax calculations	80,369	86,924
Theoretical tax charge 27.50% IRES - 4.82% IRAP	22,101	4,190
Non-deductible permanent differences	3,585	2,237
Deductible IRAP quota	(420)	
Temporary differences deductible in future years	1,583	
Reversal of temporary differences referring to future years	(5,117)	(2,024)
Taxable profit	80,000	87,137
Current income taxes for the year: 27.50% IRES - 4.82% IRAP	22,000	4,200

Section 19 - Other information - Income statement

**19.1 Analytical breakdown of interest income and fee and commission income**
Euros 142,109

	Interest income			Fee and commission income				
Items / Counterparty	Banks	Financial institut.	Custom.	Banks	Financial institut.	Custom	Total 12.31.2010	Total 12.31.2009
1. Finance leases								
- investment property								
- movable property								
- assets used in the business								
- intangible assets								
2. Factoring								
- on current receivables								
- on future receivables								
- on non-recourse receivables purchased			69,263				69,263	69,898
- on receivables purchased below original amount								
- for other financing	512	28	60,586			11,720	72,846	59,841
3. Consumer credit								
- personal loans								
- specific loans								
- garnishing of one-fifth								
4. Guarantees and commitments								
- commercial nature								
- financial nature								
Total	512	28	129,849			11,720	142,109	129,739

"Interest income from customers for factoring on non-recourse receivables purchased" amounts to Euros 69,263 and consists of fees and commissions charged to assignors.
"Interest income from customers for factoring for other financing" amounts to Euros 60,586 and includes late interest collected during the year for Euros 57,192.
"Fee and commission income from customers for factoring for other financing" amounts to Euros 11,720 and refers to activities for the credit management of receivables.

Part D - Other Information

All amounts are expressed in thousands of euro.

Section 1 - Specific references to the Company's activities

B. FACTORING AND SALES OF RECEIVABLES

B.1 – Gross amount and carrying amount

Items / Amounts	Total 12.31.2010			Total 12.31.2009		
	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount
1. Performing assets						
- exposures with assignors (with recourse):						
- sale of future receivables						
- other	499		499	2,197		2,197
- exposures with assigned debtors (non-recourse)	1,565,775		1,565,775	1,562,912		1,562,912
2. Impaired assets						
2.1 Past due						
- exposures with assignors (with recourse):						
- sale of future receivables						
- other						
- exposures with assigned debtors (non-recourse):						
- purchases below face value	1,205	(1.205)	0	1,417	(1,205)	212
- other	7,008	(6.920)	88	14,364	(10,695)	3,669
2.2 Doubtful						
- exposures with assignors (with recourse):						
- sale of future receivables						
- other						
- exposures with assigned debtors (non-recourse):						
- purchases below face value	1		1	7		7
- other	581		581	6,100		6,100
2.3 Restructured						
- exposures with assignors (with recourse):						
- sale of future receivables						
- other						
- exposures with assigned debtors (non-recourse):						
- purchases below face value						
- other						
2.4 Non-performing						
- exposures with assignors (with recourse):						
- sale of future receivables						
- other						
- exposures with assigned debtors (non-recourse):						
- purchases below face value	251		251	325		325
- other	3,197		3,197	3,017		3,017
Total	1,578,517	(8.125)	1,570,392	1,590,339	(11,900)	1,578,439

• The "Other exposures with assignors (with recourse)" under "Performing assets" refer to receivables from assignors for advances on with-recourse receivables for Euros 499.
• The "Other exposures with assigned debtors (non-recourse)" under "Performing assets" refer to receivables from assigned debtors for Euros 1,565,775. There are no such receivables in the category "past due receivables not impaired" (Circular 217 of August 5, 1996 - 9th update of February 2, 2011 *"Manual for the Compilation of Regulatory Reporting for the Financial Intermediaries registered in the Special List"*).

"Exposures/Impaired assets" correspond to "Past due" as defined in Circular 216 of August 5, 1996 - 7th update of July 9, 2007, *"Regulatory Instructions for the Financial Intermediaries registered in the Special List"*.

Exposures/Impaired assets are divided into the following categories:
• Past due;
• Doubtful;
• Restructured;
• Non-performing.
The definitions of these categories are set out in the Regulatory Reporting process, defined by Circular 217 of August 5, 1996 - 9th update of February 2, 2011 *"Manual for the Compilation of Regulatory Reporting for the Financial Intermediaries registered in the Special List"*.

"Impaired assets" also include receivables purchased below face value recorded for the amount effectively paid at the time of purchase; the balance of these receivables at December 31, 2010, net of writedowns, is equal to Euros 252.
At December 31, 2010, the realizable value of receivables purchased below face value is equal to Euros 196.

Past due.
These are in reference to exposure with central administrations and central banks, territorial entities, public sector entities, non-profit entities and companies which at December 31, 2010 are past due more than 90/180 days.
In particular, positions with 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.
At December 31, 2010, the total of past due receivables amounts to Euros 3,448, and is in line with the prior year.

Restructured.
These are in reference to exposure for which an intermediary, owing to the deterioration of the economic and financial conditions of the debtor, agrees to modify the original contract terms which give rise to a loss.
At December 31, 2010, Farmafactoring does not have any positions classified as restructured receivables.

Doubtful.
These are in reference to exposure with parties that are in temporary situations of objective difficulty which are expected to pass within a suitable period of time.
Doubtful receivables also include so-called "objective" doubtful receivables.
At December 31, 2010, the total of doubtful receivables is Euros 582 and a significant reduction compared to Euros 6,107 in the prior year.

Non-performing.
These refer to exposure with parties that are in a state of insolvency or basically in similar situations, regardless of any provisions for loss set aside by the Company.
At December 31, 2010, the total of non-performing receivables, net of writedowns due to estimated impairment losses, amounts to Euros 88.
Compared to the prior year, the net exposure to non-performing receivables decreased by about Euros 3.8 million primarily as a result of the payments received from the entity *"Fondazione Ordine Mauriziano"* under Liquidation Management in Turin in February and December 2010 for a total of Euros 3.9 million.

B.2 - Residual term (repricing date) of exposures and outstanding

B.2.1 - With recourse factoring transactions: advances and outstanding

	Advances		Outstanding	
Time frame	12.31.2010	12.31.2009	12.31.2010	12.31.2009
- on demand	499	2,197	1,263	3,780
- to 3 months				
- 3 to 6 months				
- 6 months to 1 year				
- after 1 year				
- unspecified term				
Total	499	2,197	1,263	3,780

B.2.2 - Non-recourse factoring transactions: exposure

Time frame	Exposure 12.31.2010	Exposure 12.31.2009
- on demand		
- to 3 months	17,081	95,360
- 3 to 6 months	14,984	81,650
- 6 months to 1 year	100,592	100,273
- after 1 year	1,205,550	965,703
- unspecified term	231,686	333,255
Total	1,569,893	1,576,241

B.3 - Changes in impairment losses

Item	Beginning impairm. losses	Increases: Impairm. losses	Increases: Transfers from another status	Increases: Other positive changes	Decreases: Impairm. reversals	Decreases: Transfers from another status	Decreases: Derecogn.	Decreases: Other negative changes	Ending Impairm. losses
Impaired assets - details									
Exposure with assignors									
- Past due	602				(17)				585
- Doubtful									
- Restructured									
- Non-performing									
Exposure with assigned debtors									
- Past due	11,900	1,220			(3,874)		(1,121)		8,125
- Doubtful									
- Restructured									
- Non-performing									
On the portfolio of other assets									
- Exposure with assignors									
- Exposure with assigned debtors									
Total	12,502	1,220			(3,891)		(1,121)		8,710

B.4 - Other information

B.4.1 - Turnover of receivables under factoring transactions

in millions of euros

Items	Total 12.31.2010	Total 12.31.2009
1. Non-recourse transactions	2,147	1,976
- of which: purchases below face value	0	
2. With recourse transactions		1
Total	2,147	1,977

B.4.2 - Collection services

in millions of euros

Voci	Total 12.31.2010	Total 12.31.2009
Receivables referring to credit collection services in 2010	2,458	2,187
Amount of receivables existing at the end of the reporting period	2,489	2,184

Section 2 - Securitization and sale transactions

This section presents "qualitative" and "quantitative" information on securitization and the sale transactions put in place by the Company.

Information on the "Justine Capital S.r.l." transaction

QUALITATIVE INFORMATION

Strategies, processes and objectives
This transaction is considered as a normal sale of receivables activity carried out through the vehicle company, Justine Capital S.r.l., which has directly and independently structured a securitization transaction.
During 2010, one single transaction was been put in place for a non-recourse sale to the vehicle company Justine Capital S.r.l. for Euros 90 million in February.

Description of the risk profile
Farmafactoring, as the originator, after having sold the non-recourse receivables, has neither any involvement in the securitization activity 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, all the risks and rewards of ownership have been transferred to the assignee.

Existence of guarantees and credit lines issued by the intermediary or third party
A put option was written for this operation with Commerzbank AG London Branch, subscriber to the notes issued by Justine Capital S.r.l., which has the right to transfer the credit back to Farmafactoring if it is not of certain liquidity and collectible.
In that case, Farmafactoring will have the possibility of transferring it back in turn to the original assignor.

QUANTITATIVE DISCLOSURES

Type of financial instruments held
Farmafactoring does not hold any financial instruments connected with the aforementioned transaction.

Servicer activity
Farmafactoring, having the mandate for collection, recovers and collects the receivables on behalf of the servicer.
With regard to all the sales of receivables to Justine Capital S.r.l., at December 31, 2010, the Company managed an outstanding equal to about Euros 104 million.

Information on the "Deutsche Bank" transaction

QUALITATIVE INFORMATION

Strategies, processes and objectives
The Company has in place two transactions with Deutsche Bank for non-recourse sales of receivables due from the ASLs and AOs of the Campania Region in order to diversify funding activities.
These receivables had been part of a transaction agreement signed by the Company and conforming to resolution 541/09 passed by the Campania Region Council.
The first sale was concluded on June 30, 2010 after signing a sales contract for an amount of Euros 81 million and a lump-sum amount of Euros 5 million. The payment was made in July after acceptance on the part of the assigned ASLs/AOs.
The second sale was concluded on August 3, 2010 after signing a sales contract for an amount of Euros 11 million and a lump-sum amount of about Euros 600 thousand. After acceptance on the part of the assigned ASLs/AOs, a first payment of about Euros 6 million arrived in October 2010, while the remaining amount has arrived in February 2011.

Description of the risk profile

This transaction is considered as a normal sale of receivables activity carried out with Deutsche Bank.

Farmafactoring, after having sold the non-recourse receivables, has no involvement in the collection or credit management activity.

The transaction does not call for any credit enhancement mechanism, therefore, all the risks and rewards of ownership have been transferred to the assignee.

QUANTITATIVE DISCLOSURES

Type of financial instruments held

Farmafactoring does not hold any financial instruments connected with the aforementioned transaction.

Section 3 - Information on risks and related risk management policies

3.1 - CREDIT RISK

QUALITATIVE INFORMATION

1. General

Factoring activities, governed by the Italian Civil Code (Book IV - Heading V, articles 1260–1267) and by Law 52 of February 21, 1991 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 Organization

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 force, issued by the board of directors on February 23, 2004 and subsequent updates. A further organizational safeguard against credit risk is represented by the "Credit Control Regulation" approved by the board of directors on July 21, 2009 and subsequent updates, which describes the credit control process on the debtor and is an integral part of the "Credit Regulation".
Credit risk is thus adequately covered at various levels of the operational processes.

2.2 Management, measurement and control systems

Beginning January 1, 2008, the financial intermediaries registered in the special list referred to in art. 107 T.U.B. must comply with the regulation on prudential supervision set out in Circular 216 of August 5, 1996 - 7th update of July 9, 2007, *"Regulatory Instructions for the Financial Intermediaries registered in the Special List"* issued by Bank of Italy.

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 the exposures into the various portfolios according to the nature of the counterparty and the application of diversified weighted ratios 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.
With regard to regulatory capital and capital requirements reporting, the credit assessment agency (ECAI) for exposures with 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 with public sector entities.

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

Capital requirement = 6% RWA

The Risk-Weighted Amount is determined by the sum of the risk-weighted assets of the various portfolios.
On the basis of the above methodology, the capital requirement for credit risk at December 31, 2010 is equal to Euros 22,721.

The Company has a Credit Regulation which describes the stages of the process which the regulations of the sector have identified as components of the credit process:
• 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;
• 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 (Circular 216 of August 5, 1996 - 7th update of July 9, 2007, *"Regulatory Instructions for the Financial Intermediaries registered in the Special List"*) with regard to concentrations of risk, in particular:
• a "large exposure" 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 "individual limit" of 40% of regulatory capital (transitory regime up to December 31, 2011);
• the total amount of large exposures must be confined within the "global limit" equivalent to eight times the regulatory capital (it 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 files a monthly report to the interbank Risk Office (Circular 139 of February 11, 1991 - 13th update of March 4, 2010 *"Central Risk Bureau. Instructions for Credit Intermediaries"*) providing information on the 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 that it has with the system).

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 customers which, despite being past due more than 90/180 or 270 days show no objective elements indicating a loss either 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 criterion 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 in order to monitor the quantitative contents. Such analysis was carried out on the receivables portfolio and produced results in line with prior years; it did not point to any significant potential losses such as to require a collective writedown of the receivables.

Non-performing receivables
In accordance with IAS 39, and for purposes of an analytical valuation, the Company carried out an individual assessment of the financial assets classified as non-performing in order to identify any impairment of individual positions.

Non-performing receivables, net of individual impairment losses, amount to Euros 88.

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

2.4 Impaired financial assets
Impaired financial assets include the amount of Exposures/Impaired assets corresponding to "Past due" defined in Circular 216 of August 5, 1996 - 7th update of July 9, 2007, *"Regulatory Instructions for the Financial Intermediaries registered in the Special List"*. They refer to the sum of the following categories:
• Non-performing (net amount of Euros 88);
• Doubtful (for an amount of Euros 582);
• Restructured (not applicable);
• Past due (for an amount of Euros 3,448).

The definitions of these categories are set out in the Regulatory Reporting process, defined by Circular 217 of August 5, 1996 - 9th update of February 2, 2011 *"Manual for the Compilation of Regulatory Reporting for the Financial Intermediaries registered in the Special List"*.

"Impaired assets" include exposures with assigned debtors for purchases below face value for a net carrying amount of Euros 252.
At December 31, 2010, the realizable value of such receivables is equal to Euros 196.

Contrary to the considerations made for "Impaired assets", the measurement of performing receivables, equal to Euros 1,565,775, includes those receivables from the clientele which, despite being past due more than 90/180 or 270 days, show no objective indication of impairment either individually or collectively based on internal historical or statistical information.

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

QUANTITATIVE DISCLOSURES

1. Distribution of credit exposure analyzed by portfolio and credit quality

Portfolio / Quality	Non-performing	Doubtful	Restructured	Past due	Other assets	Total
1. Financial assets held for trading					808	808
2. Financial assets measured at fair value						
3. Available-for-sale financial assets						
4. Held-to-maturity financial assets						
5. Due from banks					84,153	84,153
6. Due from financial institutions					1,275	1,275
7. Due from customers	88	582		3,448	1,573,147	1,577,265
8. Hedging derivatives						
Total 12.31.2010	88	582		3,448	1,659,383	1,663,501
Total 12.31.2009	3,881	6,107		3,342	1,691,438	1,704,768

2. Credit exposure

2.1 Credit exposure with customers: gross and net amounts

Exposure types / Amounts	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure
A. Impaired assets				
Cash exposures:				
- Non-performing	8,798	(8,710)		88
- Doubtful	582			582
- Restructured exposures				
- Past due exposures	3,448			3,448
Off-balance sheet exposures:				
- Non-performing				
- Doubtful				
- Restructured exposures				
- Past due exposures				
Total A	12,828	(8,710)		4,118
B. Performing exposures:				
- Past due exposures not impaired				
- Other exposures	1,573,147			1,573,147
Total B	1,573,147			1,573,147
Total (A+B)	1,585,975	(8,710)		1,577,265

There are no "past due exposures not impaired" in "Performing exposures".
"Performing exposures" do not refer to exposures subject to renegotiation under collective Agreements, but to other exposures.

These include:
- Euros 1,565,775, referring to "Non-recourse exposures";
- Euros 499, referring to "Recourse exposures";
- Euros 6,873, referring to "Other exposures with customers", relating to advances, commissions to be invoiced to assignors, interest on extended payment terms granted and to be charged to the debtors and legal fees to be recovered.

The following table shows the above three categories of receivables divided by portfolio and aging of past due amounts.

Non-recourse exposures	Aging					Total
		Past due assets				
	Not past due	to 3 months	3 to 6 months	6 months to 1 year	over 1 year	
Exposure with central administrations and central banks	3,541			3		3,544
Exposure with territorial entities	394	325		755	3,239	4,713
Exposure with non-profit entities and public sector entities	1,332,075	15,662	23,560	50,420	135,498	1,557,215
Exposure with companies	303					303
Total	1,336,313	15,987	23,560	51,178	138,737	1,565,775

Recourse exposures	Aging					Total
		Past due assets				
	Not past due	to 3 months	3 to 6 months	6 months to 1 year	over 1 year	
Exposure with central administrations and central banks						
Exposure with territorial entities						
Exposure with non-profit entities and public sector entities						
Exposure with companies	499					499
Total	499					499

Other exposures with customers	Aging					Total
		Past due assets				
	Not past due	to 3 months	3 to 6 months	6 months to 1 year	over 1 year	
Exposure with central administrations and central banks						
Exposure with territorial entities						
Exposure with non-profit entities and public sector entities	64					64
Exposure with companies	6,809					6,809
Total	6,873					6,873

2.2 Credit exposure with banks and financial institutions: gross and net amounts

Exposure types / Amounts	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure
A. Impaired assets				
Cash exposures:				
- Non-performing				
- Doubtful				
- Restructured exposures				
- Past due exposures				
Off-balance sheet exposures:				
- Non-performing				
- Doubtful				
- Restructured exposures				
- Past due exposures				
Total A				
B. Performing exposures:				
- Past due exposures not impaired				
- Other receivables	85,428			85,428
Total B	85,428			85,428
Total (A+B)	85,428			85,428

3. Concentration of credit

3.1 Distribution of financing to the clientele by economic business segment of the counterparty

Exposure types / Amounts	Public Administration			Non-financial companies		
	Gross exposure	Impairment losses	Net exposure	Gross exposure	Impairment losses	Net exposure
Financing extended:						
- non-recourse	1,556,110	(8,125)	1,547,985	1,924		1,924
- recourse				499		499
Total	1,556,110	(8,125)	1,547,985	2,423		2,423

Exposure types / Amounts	Non-profit institutions serving families			Rest of the world		
	Gross exposure	Impairment losses	Net exposure	Gross exposure	Impairment losses	Net exposure
Financing extended:						
- non-recourse	19,969		19,969	15		15
- recourse						
Total	19,969		19,969	15		15

Exposure types / Amounts	Total		
	Gross exposure	Impairment losses	Net exposure
Financing extended:			
- non-recourse	1,578,018	(8,125)	1,569,893
- recourse	499		499
Total	1,578,517	(8,125)	1,570,392

The data reported in the above tables refer to the financing extended by the Company, outstanding at December 31, 2010, divided by economic business segment of the counterparty.

3.2 Distribution of financing to the clientele by geographic area of the counterparty

Exposure types / Amounts	Italy					
	North West			North East		
	Gross exposure	Impairment losses	Net exposure	Gross exposure	Impairment losses	Net exposure
Financing extended:						
- non-recourse	185,463	(3,973)	181,490	283,995	(321)	283,674
- recourse						
Total	185,463	(3,973)	181,490	283,995	(321)	283,674

Exposure types / Amounts	Italy					
	Central			South		
	Gross exposure	Impairment losses	Net exposure	Gross exposure	Impairment losses	Net exposure
Financing extended:						
- non-recourse	594,638	(2,981)	591,657	360,070	(817)	359,253
- recourse	499		499			
Total	595,137	(2,981)	592,156	360,070	(817)	359,253

Exposure types / Amounts	Italy Islands			Rest of the world		
	Gross exposure	Impairment losses	Net exposure	Gross exposure	Impairment losses	Net exposure
Financing extended:						
- non-recourse	153,837	(33)	153,804	15		15
- recourse						
Total	153,837	(33)	153,804	15		15

Exposure types / Amounts	Total		
	Gross exposure	Impairment losses	Net exposure
Financing extended:			
- non-recourse	1,578,018	(8,125)	1,569,893
- recourse	499		499
Total	1,578,517	(8,125)	1,570,392

The data reported in the above tables refer to the financing extended by the Company, outstanding at December 31, 2010, divided by geographic area of the counterparty.

3.3 Large exposures

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, 2010 there are no large exposures to risks, that is individual positions equal to or higher than 15% of regulatory capital.

3.2 - MARKET RISK

3.2.1 INTEREST RATE RISK

QUALITATIVE INFORMATION

1. General

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 Company's lending activities, represented by non-recourse receivables purchased, are at fixed rates whereas funding is generally at floating rates.

The exposure is given by the amount of financing subject to this risk.

Use of derivative instruments

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 correlated exposure so as to achieve a matching of the hedged item (rate on the outstanding balance) and the rate contracted on the balance of derivative transactions.

At December 31, 2010, the balance of derivative hedging transactions is equal to Euros 301 million.

Outstanding contracts

in euros

	Underlyings Interest rates and debt securities			
		Fair value at 12.31.2010		
Transaction types	Notional amount	Positive	Negative	Residual term
IRS	*271,000,000*	*62,597*		*393*
Convertible swaps	*30,000,000*		*(533,182)*	*181*
Sub-total		62,597	(533,182)	
Total	301,000,000		(470,585)	371

Hedging strategies
Hedging strategies follow the trend of the rates and expectations expressed by the market.
At December 31, 2010, the fair value of hedging instruments is negative for an amount of Euros 471, given the interest rate curve.
The fair value represents the value of the financial instrument. This value depends on 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 calculated discount factors;
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 using the 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 presence of extremely moderate base rates on the market compared to those at the time of putting into place the hedging instruments. There is however an improvement compared to the prior year and confirmation of the full correlation with the rates implicit in the lending transactions carried out during the same period.

QUANTITATIVE DISCLOSURES

1. Distribution of financial assets and liabilities by residual term (repricing date)

Item / Residual term	to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	After 10 years	Unspecified term	Total
1. Assets								
1.1 Debt securities								
1.2 Receivables	108,606	14,984	100,592	1,205,462	88		232,961	**1,662,693**
1.3 Other assets			394	414			6,291	**7,099**
2. Liabilities								
2.1 Payables	674,761	219,343	511,382	28,706				**1,434,192**
2.2 Debt securities								
2.3 Other liabilities		533	469	277				**1,279**
3. Derivatives								
Options								
3.1 Long positions								
3.2 Short positions								
Other derivatives								
3.3 Long positions								
3.4 Short positions								

The structure of the Company's financing is represented by committed credit lines and ordinary credit lines.
The ordinary lines, equal to 25% 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 12 and 36 months in part provide for the possibility of drawing down revolving lines with drawdowns between one and six months renewable each time until the expiry of the contract.

2. Models and other methods for the measurement and management of interest rate risk
The Company, in accordance with the regulation for prudential supervision of Bank of Italy, 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 the operational limits for risk management, assigning the appropriate mandates for their management and monitoring them under the governance policy;
• to **senior management**, the responsibility of defining the organizational, the functional and the control solutions needed to implement what has been proposed by the board of directors;
• to the **financial office**, the responsibility of ensuring that the funding rate can be correlated to the lending rate, securing fixed-rate financing or putting in place derivative transactions for hedging purposes.

3.2.2 PRICE RISK

QUALITATIVE INFORMATION

1. General
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.
Transactions in derivative instruments are put in place for the sole purpose of hedging interest rate exposure relating to activities for the purchase of non-recourse receivables.

QUANTITATIVE DISCLOSURES

1. Models and other methods for the measurement and management of price risk
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
Exchange rate risk is represented by the exposure of the intermediary to fluctuations in exchange rates, considering both 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 DISCLOSURES

2. Models and other methods for the measurement and management of exchange rate risk
The Treasury and Finance Regulation of February 23, 2004 and subsequent updates, approved by the board of directors, establishes that any foreign currency transactions put in place for more than Euros 10 thousand must be fully hedged.

SECTION 3.3 - OPERATIONAL RISK

QUALITATIVE INFORMATION

1. General aspects, operational processes and operational risk measurement methods
As concerns operational risks, with particular reference to compliance risk, human resources risk, organizational/processes risk, technology/systems risk, outsourcing risk and external events risks), the Company has adopted the following measures:
• organizational control with defined responsibilities;
• procedural/regulatory system for each process with an indication of first-level and second-level controls;
• insurance policies to cover risks from exogenous events;
• *ad hoc* organization models for anti-money-laundering, health and safety in the workplace and information security.

The Company calculates the capital requirement to cover operational risk using the basic indicator approach, or applying a 15% regulatory ratio to the average of the operating income taken for the last three years (calculated annually at the end of each year).

QUANTITATIVE DISCLOSURES

On the basis of the above method, the capital requirement for operational risk is equal to Euros 13,118 at December 31, 2010.

Section 4 - Information on equity

4.1 Equity of the Company

4.1.1 Qualitative information
Equity is composed of the aggregate of share capital, reserves, valuation reserves and profit for year.
For regulatory purposes, the aggregate equity relevant for that purpose is calculated on the basis of the existing instructions of Bank of Italy and constitutes the basis of reference of the prudential supervision regulations.

4.1.2 Quantitative information

4.1.2.1 Equity of the Company: breakdown

Items / Amounts	Total 12.31.2010	Total 12.31.2009
1. Share capital	105,400	96,900
2. Share premium		
3. Reserves		
- income		
a) legal	11,549	9,407
b) statutory		
c) treasury shares		
d) other	9,836	9,942
- other		
4. (Treasury shares)		
5. Valuation reserves		
- Available-for-sale financial assets		
- Property, plant and equipment	2,791	2,791
- Intangible assets		
- Hedges of foreign investments		
- Cash flow hedges		
- Foreign exchange differences		
- Non-current assets and groups of assets held for sale		
- Special revaluation laws	21,432	21,432
- Actuarial gains/losses relating to defined benefits plans		
- Share of valuation reserves from investments accounted for using the equity method		
6. Equity instruments		
7. Profit /loss for the year	53,261	42,836
Total	204,269	183,308

4.2 Equity and banking regulatory ratios

4.2.1 Regulatory capital

4.2.1.1 Qualitative information

Regulatory capital is the first line of defense against risks associated with overall financial activities and constitutes the main parameter of reference for the assessment of the capital adequacy of the Company.
The purpose of the prudential supervision regulation is to ensure that all the intermediaries registered in the special list referred to in art. 107 T.U.B. have a minimum obligatory capitalization in relation to the risks assumed.

The Company constantly assesses its capital structure, developing and utilizing techniques for monitoring and managing risks, also through its internal risk committee.
From a prudential supervision standpoint, capital absorption is determined considering the current reporting rules.

Regulatory capital is composed of Tier 1 Capital plus Tier 2 Capital, net of items to be deducted and IAS/IFRS prudential filters.

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

<u>1. Tier 1</u>

Tier 1 positive items:
- Share capital paid-in
- Reserves (legal reserve, extraordinary reserve, retained earnings)
- Profit for the year

Tier 1 negative items:
- Other intangible assets

Items to be deducted:
- Equity interests in credit and financial institution in excess of 10%.

<u>2. Tier 2</u>

Tier 2 positive items:
- Valuation reserves: property, plant and equipment used in the business
- Valuation reserves: special revaluation laws

Items to be deducted:
- Non-calculable quota of the valuation reserve of property, plant and equipment assets used in the business (IAS/IFRS prudential filters);
- Equity interests in credit and financial institutions in excess of 10%.

3. Tier 3
At December 31, 2010, there are no capital items that qualify as Tier 3.

4.2.1.2 Quantitative information

	Total 12.31.2010	Total 12.31.2009
A. Tier 1 before prudential filters	136,583	126,130
B. Tier 1 prudential filters:		
B.1 Positive IAS/IFRS prudential filters (+)		
B.2 Negative IAS/IFRS prudential filters (-)		
C. Tier 1 gross of items to be deducted (A + B)	136,583	126,130
D. Items to be deducted from Tier 1	(3,132)	(132)
E. Total TIER 1 (C - D)	133,451	125,998
F. Tier 2 before prudential filters	24,223	24,223
G. Tier 2 prudential filters:		
G.1 Positive IAS/IFRS prudential filters (+)		
G.2 Negative IAS/IFRS prudential filters (-)	(1,395)	(1,395)
H. Tier 2 gross of items to be deducted (F + G)	22,828	22,828
I. Items to be deducted from Tier 2	(3,132)	(132)
L. Total TIER 2 (H - I)	19,696	22,696
M. Items to be deducted from Tier 1 and Tier 2		
N. Regulatory capital (E + L - M)	153,147	148,694
O. TIER 3		
P. Regulatory capital including TIER 3 (N + O)	153,147	148,694

4.2.2 Capital adequacy

4.2.2.1 Qualitative information

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.
According to the provisions dictated by the *"Instructions for the Preparation of the Financial Statements of the Financial Intermediaries registered in the Special List of IMELs, SGRs and SIMs"* written by Bank of Italy and issued on December 16, 2009, the amount of Risk-weighted assets is always calculated by all the intermediaries as the product of the total of prudential capital requirements and 16.67 (the inverse of the minimum obligatory ratio equal to 6%).

Farmafactoring's overall exposure to risks at December 31, 2010, in relation to its business, is adequate according to the level of capitalization and the profile of risk identified.
The capital ratios are 22.3% for the Tier 1 Capital Ratio and 25.6% for the Total Capital Ratio.

<u>Pillar 1 - Capital adequacy to meet typical risks associated with financial activities</u>

From an operational standpoint, the absorption of risks is calculated using various methods:
- credit risk → Standardized method;
- counterparty risk → Standardized method;
- operational risk → Basic indicator method;
- market risk → *not material.* The Company does not have a trading portfolio.

Credit risk

The application of the Standardized approach involves the division of the exposures into various portfolios based upon the nature of the counterparty, and the application of diversified weighted ratios 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 regulatory capital and capital requirements reporting, the credit assessment agency (ECAI) for exposures with 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 with public sector entities.

For the calculation of credit risk, the Company applies the following weighting factors established by Bank of Italy's regulation on prudential supervision:
• 0% for receivables from central administrations and central banks;
• 20% for receivables from the Public Administration (which include those from territorial entities, 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.

Counterparty risk
Counterparty risk represents a particular type of credit risk which generates a loss if the transactions put in place with a specific counterparty have a positive value at the time of bankruptcy.
For the Company, the counterparty risk is represented only by the subscription to derivative contracts with the aim of hedging the risk of fluctuations in the interest rate: the application of the standardized approach shows an insignificant amount.

Operational risk
The Company uses the Basic indicator approach to measure operational risk: the capital requirement is determined applying a 15% ratio to the three-year average of the operating income taken from the financial statements for the last three years, according to the formats of Bank of Italy (Circular 216 of August 5, 1996 – 7th update of July 9, 2007, *"Regulatory Instructions for the Financial Intermediaries registered in the Special List"* First Part, Chapter V, Section IX, page 2).

<u>Pillar 2 - Internal Capital Adequacy Assessment Process Summary (ICAAP)</u>

The Company presents the ICAAP summary to Bank of Italy showing the updated risk management system for the determination of the adequacy of capital.
With regard to the Bank of Italy Communication of March 11, 2011 published in the *Bollettino di Vigilanza* No. 3 - March 2011 which extended the terms for the presentation of the ICAAP Summary established for banks and also financial intermediaries registered in the Special List, the Company will send the ICAAP 2010 Summary by the April 30, 2011 deadline.

4.2.2.2 Quantitative information

Categories / Amounts	Non-weighted assets		Weighted assets/requirements	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
A. Risk assets				
A.1 Credit and counterparty risk				
1. Standardized approach	1,708,173	1,744,852	378,679	395,256
2. Internal rating based (IRB) approaches				
2.1 Basic indicator approach				
2.2 Advanced				
3. Securitizations				
B. Capital requirements				
B.1 Credit and counterparty risk			22,721	23,715
B.2 Market risk				
1. Standardized approach				
2. Internal models				
3. Concentration risk				
B.3 Operational risk				
1. Basic indicator approach			13,118	11,238
2. Standardized approach				
3. Advanced approach				
B.4 Other capital requirements				
B.5 Other calculation elements				
B.6 Total capital requirements			35,839	34,953
C. Risk assets and capital ratios				
C.1 Risk-weighted assets			597,436	582,667
C.2 Tier 1/Risk-weighted assets *(Tier 1 capital ratio)* (%)			22.3%	21.6%
C.3 Regulatory capital including TIER 3/Risk-weighted assets *(Total capital ratio)* (%)			25.6%	25.5%

Section 5 - Analytical statement of comprehensive income

Analytical statement of comprehensive income at December 31, 2010

Items	Before tax effect	Tax effect	After tax effect
10. Profit/loss for the year	80,369	27,108	53,261
Other comprehensive income			
20. Available-for-sale financial assets:			
a) fair value changes			
b) reclassification through profit or loss			
- impairment loss adjustments			
- gains/losses on disposals			
c) other changes			
30. Property, plant and equipment			
40. Intangible assets			
50. Hedges of foreign investments:			
a) fair value changes			
b) reclassification through profit or loss			
c) other changes			
60. Cash flow hedges:			
a) fair value changes			
b) reclassification through profit or loss			
c) other changes			
70. Foreign exchange differences:			
a) fair value changes			
b) reclassification through profit or loss			
c) other changes			
80. Non-current assets held for sale:			
a) fair value changes			
b) reclassification through profit or loss			
c) other changes			
90. Actuarial gains/losses on defined benefits plans			
100. Share of valuation reserves of investments accounted for using the equity method:			
a) fair value changes			
b) reclassification through profit or loss			
- impairment loss adjustments			
- gains/losses on disposals			
c) other changes			
110. Total other comprehensive income			
120. Comprehensive income (Items 10+110)	80,369	27,108	53,261

Section 6 - Related party transactions

6.1 Information on compensation to key managers
- Compensation to the directors: Euros 802.
- Compensation to the board of statutory auditors: Euros 163.

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

6.3 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 taxed as a group, calculate the taxable profit on a consolidated basis pursuant to article 117 and subsequent articles of D.P.R. 917 of December 22, 1986. On June 15, 2010, the option to be taxed as a group for a three-year period was renewed by communication to the Tax Revenue Agency.
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.
The parent, FF Holding S.p.A., extended a loan of Euros 5 million to Farmafactoring S.p.A. due on June 30, 2011 and regulated by normal market conditions.

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

On December 10, 2009, Farmafactoring España S.L. was formed with a sole shareholder, Farmafactoring S.p.A. The share capital is fully paid-in and amounts to Euros 100,000.
Farmafactoring España S.L. has its headquarters in Madrid and will start up operations in 2011. Its activities will reflect those of the parent, seeking to meet the requests received from the client companies which operate in the Spanish market. On December 1, 2010, the general manager was hired for the Spanish subsidiary.
To this end, on December 15, 2010, the special shareholders' meeting of Farmafactoring España S.L. resolved to increase share capital for an amount of Euros 6 million: a first payment of Euros 1 million was made on January 25, 2011, a second for Euros 3 million in March 2011 and the remaining amount will be paid by the end of April 2011.

03 BOARD OF STATUTORY AUDITORS' REPORT

To the shareholders' meeting of Farmafactoring S.p.A.

Board of Statutory Auditors' Report
on the Financial Statements for the year ended December 31, 2010 of Farmafactoring S.p.A.

Dear Shareholders,

The board of statutory auditors is writing this report in accordance with art. 2429 of the Italian Civil Code since the company has engaged the audit firm of PricewaterhouseCoopers S.p.A. for its audit. 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, 2010 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 overseen, as far as its responsibilities are concerned, compliance with the law and bylaws on the observance of the principles of correct administration, on the adequacy of the organizational structure, on the internal control system and on the accounting and administrative system and on the reliability of the latter to correctly represent operating events;
- has taken part in the shareholders' meetings and meetings of the board of directors, which have been conducted in accordance with the bylaws, laws and regulations which govern their functioning and for which we can reasonably assure you that the motions resolved have been in compliance with the law and bylaws and that they have not been manifestly imprudent, risky, in conflict of interest or such as to compromise the integrity of the company's assets;
- has also obtained adequate 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 not noted the existence of atypical and/or unusual transactions; 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 acquired information and monitored, as far as its responsibilities are concerned, the adequacy of the organizational structure and the administrative and accounting system adopted by the company and on its actual functioning, through meetings and direct observations and through the gathering of information from the persons in charge, as well as the reliability of the administrative and accounting system to properly represent the operating events and to this end we have no particular matters to report;
- has monitored the development of internal control and risk management activities for the year 2010 and monitored the areas covered by such activities which we believe are adequate in relation to the needs of the company;

- has also monitored the implementation of the ICAAP process, in concert with the person in charge of internal control, which has been designed according to the guidelines set out by Bank of Italy in Circular 216/96;
- has fulfilled the obligation of updating the programming document on security relating to the treatment of data for purposes of the law on privacy;
- has taken note of the activity carried out by the supervisory body nominated to ensure the adequacy, observance and updating of the organizational and operational model pursuant to Legislative Decree 231 of June 8, 2001 and subsequent legislative changes and also monitored the requisites of efficiency and independence related thereto;
- has proceeded with the customary exchange of information with the firm charged with the audit pursuant to art. 2409 *septies* of the Italian Civil Code and art. 150, paragraph 3 of Legislative Decree 58/1998;
- has noted transactions between the company and its shareholder which are based on ordinary operating activities and are in the interests of the company, as stated by the directors in the report on operations; such transactions are carried out at normal market terms and taking into account the characteristics of the transactions that have been entered into;
- in 2010, has not received petitions or complaints nor has the board issued opinions pursuant to the law;
- has examined the report issued by the audit firm which issued an unqualified opinion without qualifications.

We would also like to point out that in 2010, subsequent to the coming into force of the provisions of Legislative Decree 39 of January 27, 2010 relating to the legal audit of the annual and consolidated financial statements, issued in implementing Directive 2006/43/EC, and the consequent inclusion of Farmafactoring S.p.A. in the definition of a "public interest entity", the board of statutory auditors has taken over the verification activity pursuant to art. 19 of the Decree charged to the Committee for internal control and audit, with which the Board of Statutory Auditors now identifies itself.
In particular, the Committee, in order to carry out its work independently, asked the PricewaterhouseCoopers audit firm to provide disclosure on the following:

- the audit plan for the financial statements at December 31, 2010 of Farmafactoring S.p.A.;
- the independence of the audit firm particularly in relation to the non-audit services rendered to the entity in 2010 or to the companies controlled by it or which control it or that are under joint control.

The audit firm, as provided in art. 17 of the Decree, on April 4, 2011, has confirmed its independence in writing to the Committee, giving information on the non-audit services provided in 2010 to the company or to companies of the Group, and also by subjects in the same network.
With regard to the monitoring and control activities carried out during the year by the board of statutory auditors, also in relation to the responsibilities attributed to it as the Committee for internal control and audit, as described in this report, also with reference to the financial information process within the company, there are no matters to report to the shareholders' meeting or to the supervisory and control bodies.

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

Balance sheet

Assets		1,714,850,266
Liabilities		1,510,581,261
Share capital	105,400,000	
Reserves	21,385,158	
Valuation reserves	24,222,976	
Equity		151,008,134
Profit for the year 2010		53,260,871
Liabilities and equity		1,714,850,266

Income statement

Operating income	101,556,001
Profit before tax from continuing operations	80,369,428
Profit after taxes for the year 2010	53,260,871

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, 2010 and expresses a favorable opinion on the motion for the appropriation of profit proposed by the board of directors.

Milan, April 4, 2011

The Board of Statutory Auditors

Francesco Tabone

Luca Fontanesi

Giancarlo Rizzani

04 INDEPENDENT AUDITORS' REPORT

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AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the shareholders of
Farmafactoring SpA

1. We have audited the financial statements of Farmafactoring SpA which comprise the balance sheet, the income statement and the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and the related notes as of 31 December 2010. The directors of Farmafactoring SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement 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 and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 12 April 2010.

3. In our opinion, the financial statements of Farmafactoring SpA as of 31 December 2010 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations, the changes in shareholders' equity and cash flows of Farmafactoring SpA for the period then ended.

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4. The directors of Farmafactoring SpA are responsible for the preparation of a report on operations in compliance 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 law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB. In our opinion, the report on operations is consistent with the financial statements of Farmafactoring SpA as of 31 December 2010.

Milano, 4 April, 2011

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 20, 2011, approved the financial statements for the year ended December 31, 2010, consisting of the balance sheet, the income statement and the notes to the financial statements, together with the board of directors' report on operations, acknowledging the report of the board of statutory auditors and the report of the audit firm, and appropriated the profit for the year of Euros 53,260,871 as follows:

- to the legal reserve, the amount of Euros 2,663,044;
- to dividends, the amount of Euros 25.00 for each of the 1,700,000 outstanding shares, equal to a total of Euros 42,500,000;
- to retained earnings, the remaining amount of Euros 8,097,827.

The special session of the shareholders' meeting held on the same date passed a resolution to increase share capital from Euros 105,400,000 to Euros 110,500,000, in the form of a free increase, by partly drawing from retained earnings, raising the par value of the shares from Euros 62.00 to Euros 65.00, with a consequent modification to art. 5 of the bylaws.

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