FARMAFACTORING SPA

# Annual Report 2011

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Registered office in Milan - Via Domenichino 5
Tel. +39 02 49905.1 Fax +39 02 4818157

Share capital Euros 130,900,000 (fully paid-in)
Company Register No. 249145
REA 1193335
Tax Code No. 07960110158

# Annual Report 2011 27th Year

# Call to the general annual Shareholders' meeting

The shareholders are hereby convened to the ordinary and special general annual shareholders' meeting to be held at the headquarters of the Company, in Milan, Via Domenichino 5, in first call, on April 28, 2012 at 10:30, and, should it prove necessary, in second call, on May 3, 2012 same time and place, in order to pass resolutions on the following

## Order of Business

1. Examination of the draft financial statements for the year ended December 31, 2011, the Board of Directors' report on operations and the board of statutory auditors report; respective and pertinent resolutions.
2. Appointment of the Board of Directors after determining the number of members, appointment of the Chairman and Vice Chairman and determination of the compensation.
3. Appointment of the board of statutory auditors and determination of compensation.
4. Conferral of the accounting control engagement according to the provisions of Legislative Decree 39/2010 and subsequent conferral of the audit engagement for the next nine years 2012/2020.

Milan, April 5, 2012

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*<br>Gabriele Cipparrone<br>Federico Fornari Luswergh |

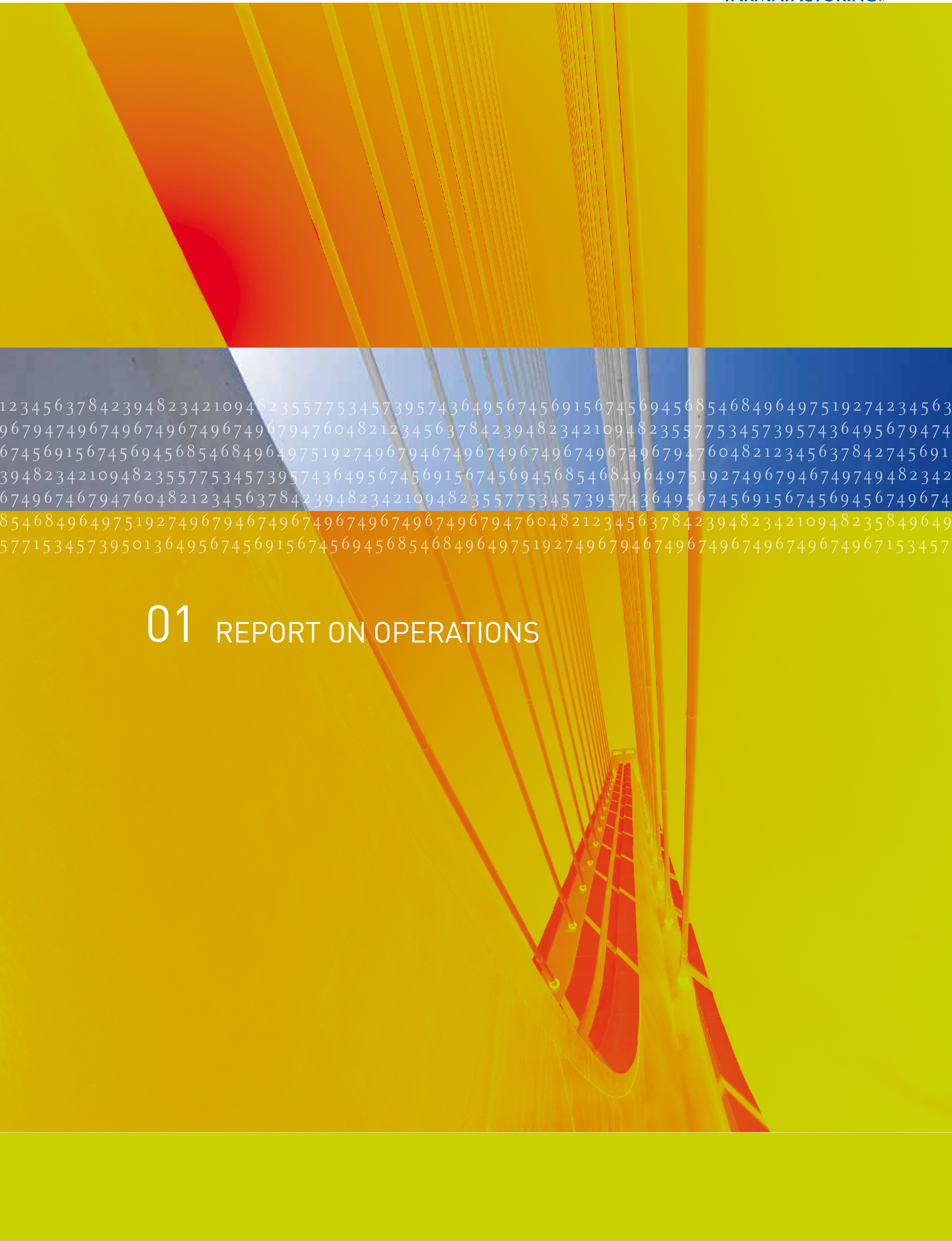
* *members of the Executive Committee*

## BOARD OF STATUTORY AUDITORS

| | |
|---|---|
| Chairman | Francesco Tabone |
| Acting auditors | Luca Fontanesi<br>Giancarlo Rizzani |
| Alternate auditors | Patrizia Paleologo Oriundi<br>Eliano Tomasina |

## INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.



# 01 REPORT ON OPERATIONS

## GENERAL ECONOMIC OVERVIEW

Dear Shareholders,
In the introduction to this report, we feel it is appropriate to express some considerations about the general global economic situation and about the situation in our own country.

## THE INTERNATIONAL ECONOMIC SCENARIO

The sovereign debt crisis in the eurozone and the continuing uncertainties about the process of consolidating public finances are having repercussions on the growth prospects of the more highly developed economies.

In the leading nations outside the eurozone, monetary policies remained very expansive, faced with the intensification of the risks pushing growth downward, tensions on the financial markets, persisting weakness in demand and expectations of moderate inflation.
In the United States, the Federal Reserve made no changes to the interest rates which are in a 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.
In the area of the euro, too, faced with a heightening of tensions on the financial markets, unfavorable growth prospects in the area and an attenuation of inflationary pressure, the ECB brought back the official rate of interest down to a record low of 1.00%, having raised it to 1.50% in 2011.

In 2011, international coordination efforts continued to strengthen the regulations and the supervision of banking and financial systems. In particular, monitoring continued of the implementation of the set of guidelines for banks containing the new regulatory framework approved by the Basel Committee on Banking Supervision ("Basel 3"). The agreement provides for the strengthening of the capital requirements and the liquidity of the banking institutions. 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, as well as the sovereign debt crisis, also influenced the trend of the respective currencies in 2011. The rate of exchange of the euro fell against the dollar to 1.2939, lower than the 3.2% recorded at the end of 2010 (equal to 1.3362). The euro also fell against the currencies of Great Britain, Switzerland, Japan and China by 3.0%, 7.8%, 2.8% and 7.5% respectively.

Inflationary pressures attenuated, both in the leading economies and in the emerging nations, benefiting from the fall in the prices of raw materials. In December, the annual inflation rate in the U.S. rose to 3.2%, while, in the eurozone it settled at 2.6%. In 2012, rates of inflation of the U. S. and the eurozone are expected to settle at 2.4% and 1.6% respectively.

In this scenario, in the United States, the 2011 GDP settled at +1.7%, whereas, in 2012, it is forecast at +2.0%. Low economic growth also continued in the eurozone, even with persisting differences among the leading economies. In 2011, GDP was +1.6%, sustained by growth in exports in a context where the confidence of consumers and companies remains low. Among the leading economies, GDP grew in both Germany (+3.0%) and France (+1.6%). Italy and Spain lagged behind, with expected growth of 0.4%, profoundly influenced by market tensions over sovereign debt.

In the most important emerging nations, the BRIC countries (Brazil, Russia, India and China) continue to report economic growth, albeit at a lower level than the prior year. Signs of recovery in GDP in Russia (+4.0%) and Brazil (+3.4%), were accompanied by the firm consolidation of the economies of India (+7.6%) and China (+9.3%). Despite the existence of continuous growth, there was a worsening of the economic situation, together with a reduction of inflationary pressure, leading the authorities to gradually ease the pressure on monetary conditions.

According to the latest OECD (Organization for Economic Cooperation and Development) projections, in 2011, on average, the global domestic product should have increased by 3.8%; in the current year it should fall to 3.4%. Recovery will probably take place on different levels in different areas. In the leading economies, in the face of a slump in Europe (+0.2%), there is expected to be growth of 2.0% in the United States and Japan; in the major emerging economies growth is expected to attenuate in China and India, and more decisively so in Brazil.
However, numerous factors of uncertainty associated with repercussions from the sovereign debt crisis in Europe are still weighing on the future prospects of the global economy. The continuing difficulty in attracting savings and deposits by the European banking sector could reduce its capacity to offer financing to the economy, thus fuelling a negative spiral between the fall in productive activity, the weakness of the financial sector and the risks associated with sovereign debt.

## THE ITALIAN ECONOMY IN 2011 AND FORECASTS FOR 2012

According to the first figures coming out of ISTAT, it is estimated that, in Italy, on average, the GDP grew 0.4%, in 2011 compared to1.5% in 2010.
Foreign trade has continued to contribute to the growth of GDP thanks to exports, which, however, are beginning to feel the effects of the slowdown in global trade, and a weakness of imports. Internal demand, on the other hand, shrunk due to a fall in industrial production and private consumption, caused mainly by anemic disposable income.

Exports, which drove the growth of the Italian economy in 2011, involved all the major trading sectors. The Bank of Italy expects that foreign sales will continue to grow, albeit at a lower rate than in past two years, slowing to 0.7% in 2012 (from 6.1% in 2011) and will gain new momentum, about 5%, in 2013.

In December 2011, annual inflation in Italy reached 2.8%, compared to 1.5% in the prior year. This increase, reported in the last months of the year, reflected a rise in indirect taxation. Pressures deriving from production prices, on the other hand, are gradually attenuating. According to the Bank of Italy, inflation measured using the consumer price index should reach an average of 3.1% this year, and then contract to 2.4% in 2013 because of the slowdown of economic activity combined with the increase in VAT and the excise taxes already implemented, which are expected to remain in place for the two-year period 2012-2013.

The gains in employment, which began in the last quarter of 2010, came to a halt in the last months of 2011 and, by the end of December, unemployment had risen to 8.9%, an increase of 0.8% on an annual basis. In 2012, employment prospects remain uncertain, since they are linked to economic recovery in the country.

Tensions on the markets of government securities and the consequent uncertainty that spread to the financial markets had an incisive effect on the ability of banks to attract savings and deposits. These difficulties had an effect on the ability of banks to offer credit to the economy. This phenomenon should attenuate thanks to recourse to new refinancing through the Eurosystem, which are also enhanced by the new Law 201/2011. According to the law, until June 30, 2012, the Minister for the Economy and Finance may provide a guarantee by the State on new issues of bonds by Italian banks. Meanwhile, the assets of Italian banks have strengthened even further.
In 2011, the improvement in the indicators of credit quality, in place since the end of 2010, came to a halt. The evolution of credit quality shows a significant risk of deteriorating, associated with the current contraction of economic activity and the increase in interest rates applied by banks. In October and November, the exposure of banks with debtors that for the first time were non-performing began to rise again, reaching higher levels than those reported in the same period of 2010.

In 2011, State sector requirements contracted compared to the prior year thanks to higher fiscal revenues mainly sustained by social security contributions, VAT and extraordinary tax revenues recorded in December from the equalization tax from the alignment of certain fiscal amounts to those in the financial statements.
According to the information currently available, in 2011, the Debt/GDP ratio increased by about 1.5%, from 118.4% in 2010, whereas the Deficit/GDP ratio for 2011, according to Government sources, was 3.8% of GDP, compared to 4.6% in 2010.

According to the forecast for the two-year period 2012-2013, issued by the Bank of Italy, the GDP is expected to contract by 1.5% in 2012 and the change for 2013 will be nil.

## THE NATIONAL HEALTH SYSTEM IN ITALY IN 2011 AND FORECASTS FOR 2012

The most important measures concerning the level of funding for the National Health Service for the three-year period 2010-2012 and the control over health care expenditures are contained in the Budget Law 2010, Legislative Decree 78/2010 and the Stability Law 2011.

The Budget Law 2010 (Law 191 of December 23, 2010), which implemented the "Health Care Agreement 2010-2012", introduced the funding levels for the National Health Service for the three-year period 2010-2012 and established new more stringent regulations for repayment plans and for putting the administration of the regions under an external commissioner.
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 "Health Care Agreement 2010-2012" and introduced significant changes, also in the sphere of pharmaceutical expenditures.

Legislative Decree 98/2011 of July 6, 2011 "Urgent measures for financial stability", converted into law with modifications with Law 111/2011 of July 15, 2011, established an increase in the funding level for the two-year period 2013-2014, also reducing the expenditures. The level of funding for the National Health Service is thus Euros 109.3 billion for 2013 and Euros 110.8 billion for 2014. This law has extended the effects of the 2010 Budget Law which decreed that enforcement proceedings could not be undertaken or continued against ASLs (Local Health Service Agencies) or AOs (Hospital Companies) in Regions already subjected to repayment plans or already in the hands of an external commissioner. Such limitation has therefore been extended to December 31, 2012.

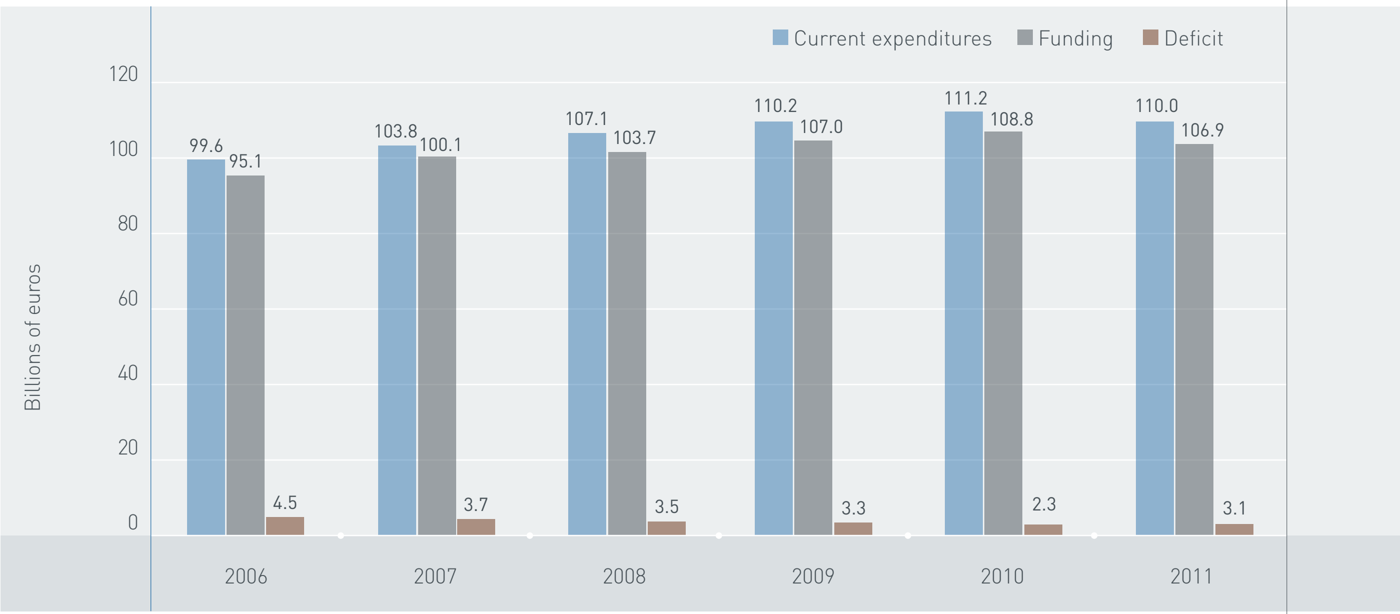
Health care expenditures for 2011, according to initial estimates, should be between Euros 108 billion and Euros 110 billion, compared to Euros 111.2 billion in 2010.
In consideration of the current expenditures, the funding set aside for 2011 was equal to Euros 106.9 billion.
Therefore, the health care deficit for 2011 would be between Euros 2 billion and Euros 3 billion.

For 2012, the Health Care Fund to be allocated to the Regions is equal to Euro 108.8 billion.

The Regions have agreed on the distribution of the 2012 Health Care Fund. The allocation was based foremost on the age and numerousness of the population, postponing the change asked by some Regions to 2013, the first year of fiscal federalism.
2013 marks the start of standard costs, based on the results for the year 2011, according to parameters indicated by the legislative decree on fiscal federalism.

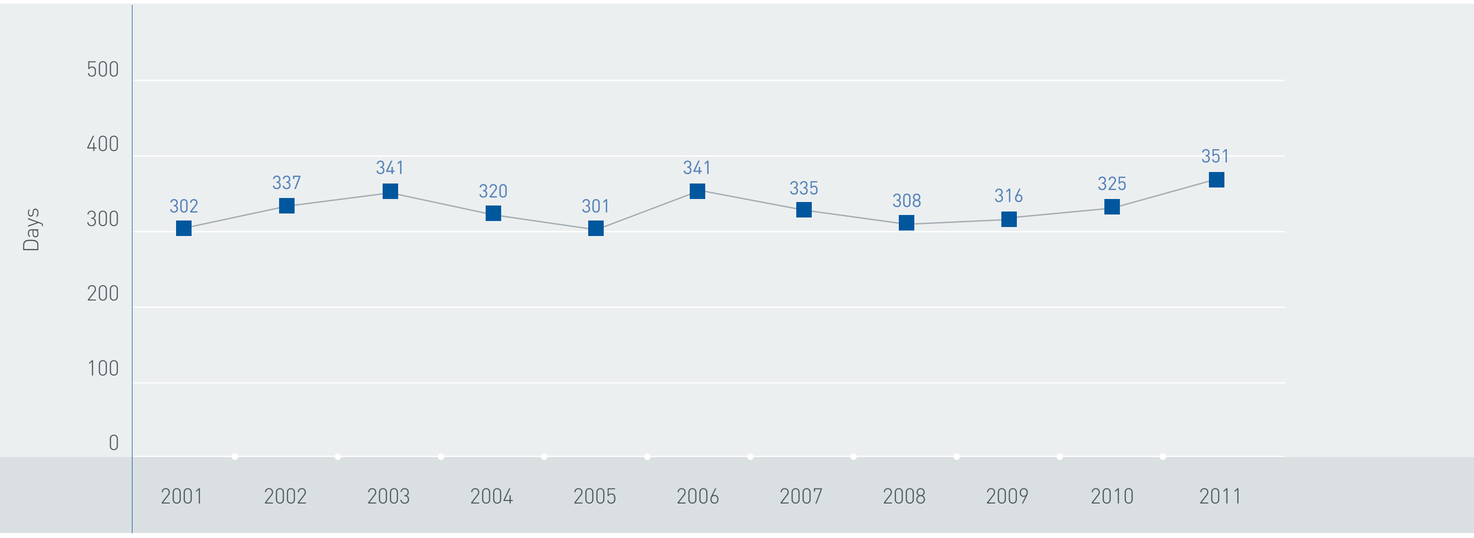
Law 111/2011 requires the State and Regions to reach an agreement by April 30, 2012 on the "Health care Agreement 2013-2015", which should set out the requirements and investments of the National Health Service. In a preliminary phase, the Regions have explained that the decline in health care funding, after the cuts in the summer maneuver, undermine the level of assistance (LEA), that it will be unavoidable to have them reviewed. According to the Regions, there will be shortfall of approximately Euros 9 billion from 2012 to 2014.

### National Healthcare Fund



In 2011, the average number of days' sales outstanding was 351 compared to 325 days in 2010.

**Average Days' Sales Outstanding**




Average DSO (Days Sales Outstanding) in 2012 is expected to be around 380 days.

Farmafactoring reported a profit of Euros 40.2 million. Although lower than the previous year, the result should be considered extremely positive since it has been achieved in an economic setting crowned by great uncertainty on the financial markets and by a difficult economic scenario at home and worldwide, correlated to the sovereign debt crisis in the euro area.

Activities on the Spanish market began during the year through the subsidiary Farmafactoring España S.A. and in October the company purchased non-recourse receivables for a total of Euros 9.8 million.

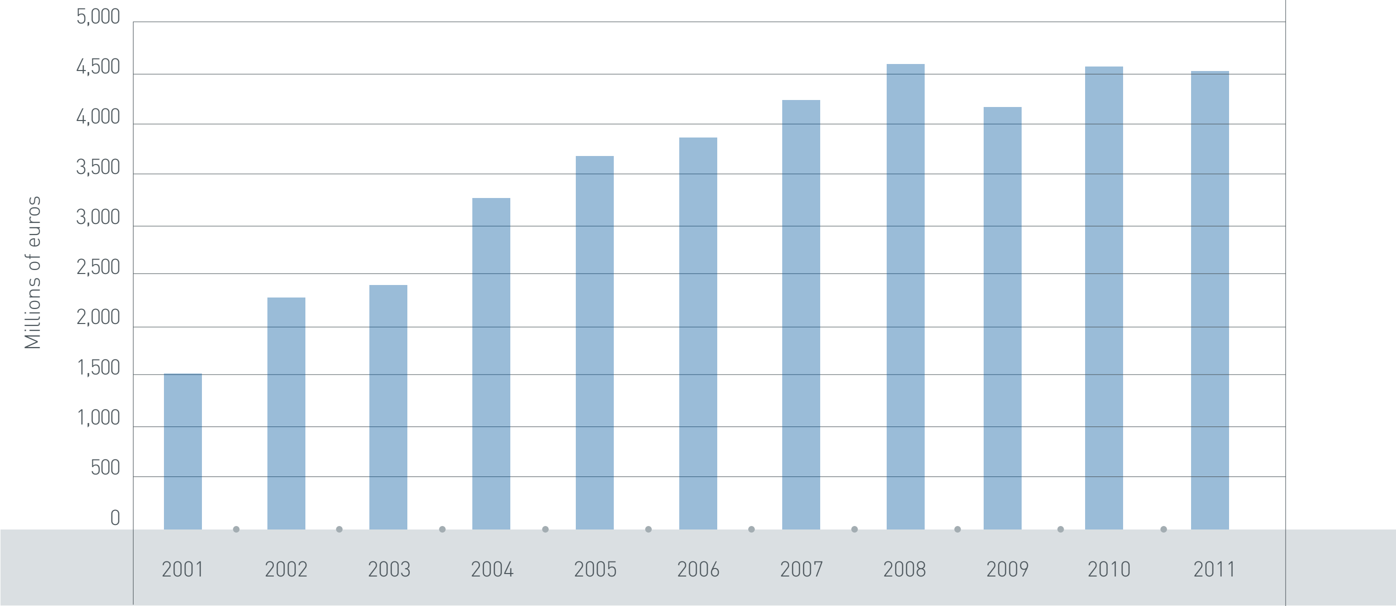
A description is presented below of the trend of the main business indicators and the key balance sheet and income statement figures.

## MAIN BUSINESS INDICATORS IN 2011 COMPARED TO 2010

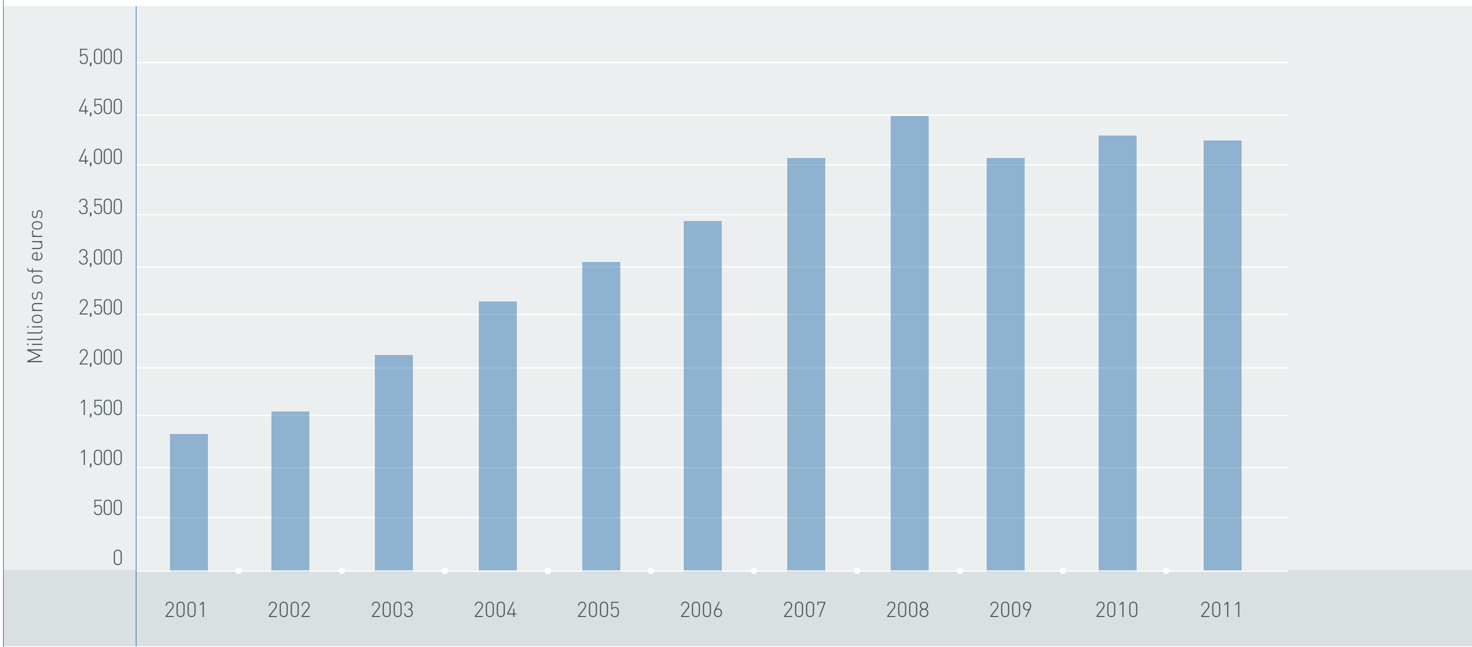
Overall volumes by Farmafactoring came to Euros 4,570 million while total collections amounted to Euros 4,239 million.
The consolidation of total volumes, which is in line with that of the previous year, is the outcome of the strengthening of the policy aimed at satisfying the existing customers' need to sell receivables, despite the difficulties in the expansion of funding.
Purchases of non-recourse receivables settled at Euros 2,050 million compared to Euros 2,147 million in 2010. This was accomplished without entering into extraordinary transactions connected with regional agreements that call for the management or purchase of the receivables of customers that do not operate on a regular basis with Farmafactoring.

The following graphs represent total volumes and collections.

**Total Volumes**

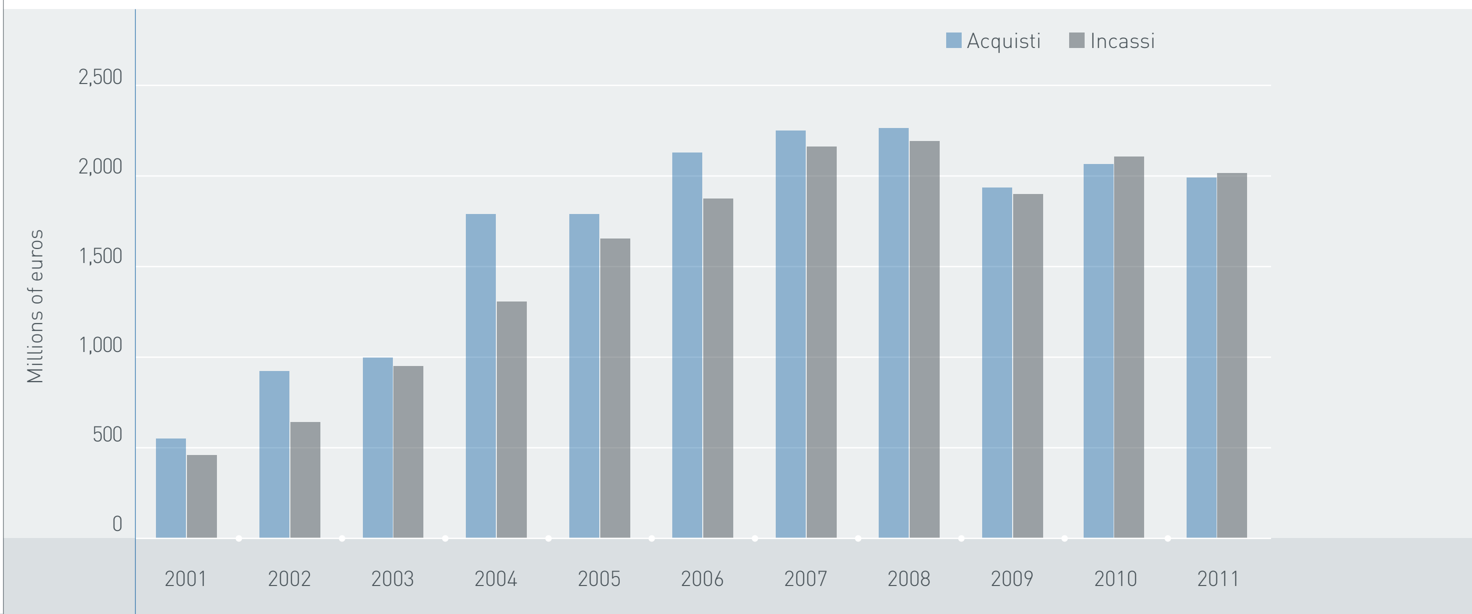


**Total Collections**




Collections on non-recourse receivables were Euros 2,085 million and not a significant variation from collections in 2010.

**Non-Recourse Receivables - Purchases and Collections**

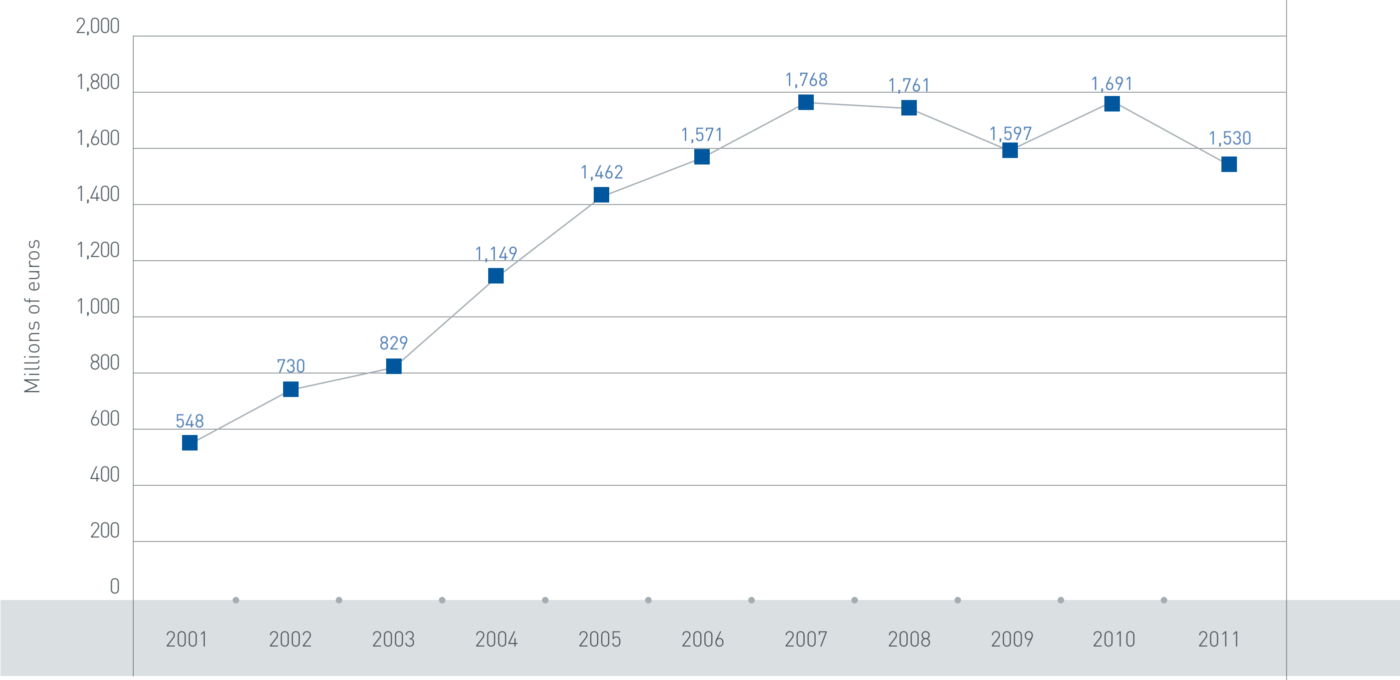


During 2011 about Euros 263 million of receivables was collected under agreements with the Lazio Region.
In 2010 the collections relating to agreements with the Regions amounted to Euros 203 million.

Regional agreements allow collection times to be brought forward, with regard to receivables from ASLs and AOs that have high average 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 credit crunch that hit the financial markets ever since 2009 has further escalated during the year on account of greater market uncertainty in the euro area caused by the sovereign debt crisis.
In this context, during the year new business was nevertheless established with banking institutions. The credit lines extended to Farmafactoring at the end of December 2011 amount to Euros 1,530 million.

**Bank Credit Lines**



Among the most important operations concluded in 2011 are the following in particular:
• bilateral committed credit lines obtained not only from the largest national banking groups with which Farmafactoring has been doing business for some time but also only from the new banks with which it established relations in 2011 for Euros 182.5 million;
• renewal, in July, of the committed loan with Natixis for a total of Euros 200 million, for a period of 12 months;
• finalization, always in July, of the transaction for the securitization of health care receivables structured with Banca IMI and WestLB for a total of Euros 200 million;
• activation, in August,
  - of a Club Deal loan arranged by Intesa Sanpaolo for a total of Euros120 million, for a period of 18 months;
  - of a loan obtained from a pool of banks headed by Unicredit for a total amount of Euros 122.5 million, for a period of 18 months.

## INTERNAL CONTROL

In conformity with Bank of Italy's regulations on the subject of internal control and Farmafactoring's internal regulation with regard to the organizational safeguarding of company processes, the organizational unit responsible for internal control has designed a plan for this year's control activities on the basis of the Audit Plan 2011.
In accordance with the plan all the company processes have been tested including the IT process and regulatory procedures relating to usury, transparency, anti-money laundering and the Internal Capital Adequacy Assessment Process Summary (ICAAP).
The work performed was brought to the attention of the board of directors and the board of statutory auditors.
The internal control organizational unit coordinates the work of the Risks Committee. The Committee monitors the Company's risk management process, the main activity of which is the analysis of the risks typical of the factoring business.
The Company has today a new organizational, management and control Model in accordance with Law 231/2001. The Model consists of a General Part and Special Parts of which the Code of Ethics is an integral part thereof, with a Supervisory Board that monitors its adequacy through planned testing activities.
The Company, with a view towards prevention, in collaboration with Supervisory Board, began a Fraud Risk Assessment project on the processes considered "sensitive" under Law 231; the results of the project indicate a prevalently low residual risk for applicable fraud schemes.

## BUSINESS DEVELOPMENTS

During 2011, Farmafactoring put a great deal of effort into the innovation of core procedures as well as operating control systems beyond what was necessary in order to ensure the availability, continuity, performance and security of the systems (see Legislative Decree 196 of June 30, 2003 and amendments, and the international standards ISO/IEC 27001:2005 - ISO/IEC 27002:2007).

In particular, the following main projects were executed:
• activation of new security systems at the working 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;
• creation of new software for the factoring system with regard to pricing, the valuation of margins on settlements with debtors, financial results and credit management;
• updating to comply with Legislative Decree 196 of June 30, 2003, and subsequent decrees;
• for the subsidiary Farmafactoring España S.A., the factoring systems and general ledger accounting were released for use, implementing all the operating activities necessary for the start-up of the factoring business on the Spanish market.

## PROGRAMMING DOCUMENT ON SECURITY

In 2011, 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 risk analysis.

## CHANGE IN PERSONNEL

In order to support the Company's development plans and optimize the workforce, the head-count has increased steadily over the years, as can be seen in the table below.

| Category | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|
| Managers | 3 | 3 | 4 | 6 | 6 | 5 |
| Supervisors | 14 | 17 | 16 | 22 | 24 | 29 |
| Remaining staff | 47 | 50 | 55 | 54 | 57 | 61 |
| Total | 64 | 70 | 75 | 82 | 87 | 95 |

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

in thousands of euros

| Item | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|
| Personnel costs | 5,949 | 6,519 | 7,792 | 9,031 | 9,030 | 8,398 |

## 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 consolidated company), 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 carries a loan obtained from the parent, FF Holding S.p.A., for Euros 5 million, received on December 28, 2009, due by contract on December 19, 2013 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., and share capital of Euros 100,000 fully paid-in.
On December 15, 2010, the special shareholders' meeting of the Spanish subsidiary resolved to increase share capital to Euros 6.1 million, which is fully paid-in.
On July 1, 2011, the special shareholders' meeting also passed a resolution to change the name of the company to Farmafactoring España S.A. and the legal document was filed with the *"Registro Mercantil de Madrid"* on September 7, 2011.

In October 2011, Farmafactoring S.p.A and the subsidiary Farmafactoring España S.A. signed a license agreement. The agreement covers the IT user rights to the software, organizational methods and communication lines of Farmafactoring S.p.A. (IT rights), as well as the assistance, maintenance and monitoring of the IT rights themselves. Royalties are paid as consideration and, for the year 2011, were determined in the amount of Euros 200 thousand.

On October 7, 2011, Farmafactoring S.p.A. extended a loan of Euros 5 million to Farmafactoring España S.A. The loan is due by contract on April 3, 2013 and is regulated by normal market conditions.

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

## FUTURE OUTLOOK

According to the planning 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 the management of credit 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.

Moreover, in 2012, Farmafactoring España S.A. will develop and consolidate the operating activities begun in the last quarter of 2011. The main action plans that will be necessary to accomplish this are the following:
- the structuring of new forms of financing to support the business;
- the building up of the workforce and the organization.

## ACCOUNTING PRINCIPLES

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

**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 Financial Intermediaries ex Art. 107 of TUB, payment institutions, IMELs, SGRs and SIMs"* written by Bank of Italy and issued on March 13, 2012.

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 | 12.31.2011 | 12.31.2010 | Change |
|---|---|---|---|
| Assets | | | |
| Cash and cash balances | 2 | 2 | 0 |
| Financial assets held for trading | 323 | 808 | (485) |
| Available-for-sale financial assets | 23 | 27 | (4) |
| Receivables | 1,609,544 | 1,662,693 | (53,149) |
| Investments | 6,294 | 6,264 | 30 |
| Property, plant and equipment | 14,091 | 14,384 | (293) |
| Intangible assets | 1,134 | 963 | 171 |
| Tax assets | 28,681 | 25,031 | 3,650 |
| Other assets | 8,952 | 4,678 | 4,274 |
| Total assets | 1,669,044 | 1,714,850 | (45,806) |
| Liabilities and equity | | | |
| Payables | 1,413,101 | 1,434,192 | (21,091) |
| Financial liabilities held for trading | 846 | 1,279 | (433) |
| Tax liabilities | 31,679 | 37,672 | (5,993) |
| Other liabilities | 18,034 | 32,522 | (14,488) |
| Employee severance indemnities | 712 | 699 | 13 |
| Provisions for risks and charges | 2,703 | 4,217 | (1,514) |
| Equity | 161,769 | 151,008 | 10,761 |
| Profit for the year | 40,200 | 53,261 | (13,061) |
| Total liabilities and equity | 1,669,044 | 1,714,850 | (45,806) |

## RECLASSIFIED INCOME STATEMENT

in thousands of euros

| Items | 2011 | 2010 | Change |
|---|---|---|---|
| Interest and similar income | 124,860 | 130,389 | (5,529) |
| Interest and similar charges | (56,112) | (45,778) | (10,334) |
| Net interest income | 68,748 | 84,611 | (15,863) |
| Net fee and commission income | 11,222 | 11,486 | (264) |
| Gains/losses on trading | (52) | 5,459 | (5,511) |
| Operating income | 79,918 | 101,556 | (21,638) |
| Impairment losses/reversals on financial assets | 807 | 2,096 | (1,289) |
| Administrative expenses | (22,201) | (23,352) | 1,151 |
| Adjustments to property, plant and equipment and intangible assets | (1,803) | (1,865) | 62 |
| Net provisions for risks and charges | 786 | (1,211) | 1,997 |
| Other operating income (expenses) | 3,763 | 3,145 | 618 |
| Net operating profit | 61,270 | 80,369 | (19,099) |
| Income taxes | (21,070) | (27,108) | 6,038 |
| Profit for the year | 40,200 | 53,261 | (13,061) |

## COMMENTS ON THE RECLASSIFIED BALANCE SHEET

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

**Receivables**

in thousands of euros

| Items | 12.31.2011 | 12.31.2010 | Change |
|---|---|---|---|
| Due from banks | 68,328 | 84,153 | (15,825) |
| Due from financial institutions | 1,226 | 1,275 | (49) |
| Due from customers | 1,539,990 | 1,577,265 | (37,275) |
| Total | 1,609,544 | 1,662,693 | (53,149) |

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

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

Valori in migliaia di euro

| Items | 12.31.2011 | 12.31.2010 | Change |
|---|---|---|---|
| Assignors - financing account | 2,353 | 1,996 | 357 |
| With recourse advances | 179 | 499 | (320) |
| Non-recourse receivables purchased | 1,528,744 | 1,569,641 | (40,897) |
| Receivables purchased below nominal amount | 241 | 252 | (11) |
| Other due from customers | 8,473 | 4,877 | 3,596 |
| Total | 1,539,990 | 1,577,265 | (37,275) |

Non-recourse receivables purchased are measured at "amortized cost" based on the present value of estimated future cash flows.

In June, the operation began for the securitization of health care receivables structured with Banca IMI and WestLB.
The receivables are sold to the vehicle company FF Finance S.r.l., but are not derecognized from the assets in the financial statements since the sale does not involve the transfer of the risks and rewards of ownership.
With regard to this operation, the value of receivables sold and not derecognized, outstanding at December 31, 2011 amounts to Euros 243,475 thousand.

**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 include 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 as being 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, as at December 31, 2011.
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 *"Instructions for the Preparation of the Financial Statements of Financial Intermediaries ex Art. 107 of TUB, payment institutions, IMELs, SGRs and SIMs"* written by Bank of Italy and issued on March 13, 2012, Farmafactoring has divided its receivables from customers between "performing" and "impaired".

Impaired assets total Euros 18,648 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, 2011 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, 2011, the total of past due receivables amounts to Euros 5,810 thousand.

*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, 2011, 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 reasonable period of time.
Doubtful receivables also include so-called "objective" doubtful receivables.
At December 31, 2011, the total of doubtful receivables is Euros 842 thousand.

*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, 2011, the total of non-performing receivables, net of writedowns due to estimated impairment losses, totals Euros 12 million. This amount corresponds to the exposure with the debtor Fondazione San Raffaele del Monte Tabor, admitted to the procedure for the composition of creditors by Decree of October 28, 2011.
The composition of creditors was approved on March 19, 2012 with a 52.9% favorable vote by those entitled.
In relation to the percentages of recovery established by the creditor plan and as a result of the recognition of the receivables for late interest, which were already completely written off by the relative provision account, no writedown was recorded.

The other non-performing receivables have been completely written down by an adjusting provision account so that their net amount at December 31, 2011 is nil.
A settlement agreement was reached in the early months of 2011 on the receivables due from the Liquidator of the closed Azienda Universitaria Policlinico Umberto I of Rome. This resulted in the consequent write-off of the remaining balance and recognition of income for about Euros 0.8 million.

The composition of impaired assets at December 31, 2011 and December 31, 2010 is presented below:

in thousands of euros

| | 12.31.2011 | | | 12.31.2010 | | |
|---|---|---|---|---|---|---|
| Type | Gross amount | Impairment losses | Net amount | Gross amount | Impairment losses | Net amount |
| Non-performing | 17,014 | (5,018) | 11,996 | 8,798 | (8,710) | 88 |
| Exposure with assignors | | | 0 | 585 | (585) | 0 |
| Exposure with assigned debtors | 17,014 | (5,018) | 11,996 | 8,213 | (8,125) | 88 |
| Doubtful | 842 | | 842 | 582 | | 582 |
| Exposure with assignors | | | | | | |
| Exposure with assigned debtors | 842 | | 842 | 582 | | 582 |
| Restructured | | | | | | |
| Exposure with assignors | | | | | | |
| Exposure with assigned debtors | | | | | | |
| Past due | 5,810 | | 5,810 | 3,448 | | 3,448 |
| Exposure with assignors | | | | | | |
| Exposure with assigned debtors | 5,810 | | 5,810 | 3,448 | | 3,448 |
| Total | 23,666 | (5,018) | 18,648 | 12,828 | (8,710) | 4,118 |

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.A., a wholly-owned subsidiary of Farmafactoring.
The value of the investment is Euros 6,294 thousand and refers to the share capital subscribed to by the sole shareholder, Farmafactoring S.p.A., and charges incidental to setting up the company and starting-up activities on the Spanish market.

In 2010, the organizational structure, processes and IT of Farmafactoring's "Italian model" have undergone a strategic evaluation and analysis for the purpose of developing and defining their implementation in the new Spanish subsidiary. A working plan has been devised and the first parts of the plan have been put into action: specifically, in 2011, a simulation was carried out, with a positive outcome, in a test environment with real data provided by possible customer companies, applying all the operations necessary for the start-up of the factoring business on the Spanish market.

Farmafactoring España S.A. has thus made its first non-recourse purchases in the last quarter of the year with the aim of cutting out a niche in the Spanish market of health care receivables factoring, replicating the elements of the Italian operating model.

On December 15, 2010, the special shareholders' meeting of the Spanish subsidiary resolved to increase share capital, initially equal to Euros 100 thousand, to Euros 6.1 million, which, at December 31, 2011, is fully paid-in.

On July 1, 2011, the special shareholders' meeting also passed a resolution to change the name of the company to Farmafactoring España S.A. and the legal document was filed with the *"Registro Mercantil de Madrid"* on September 7, 2011.

The ordinary shareholders' meeting of Farmafactoring España, held on March 14, 2012, approved the financial statements at December 31, 2011. These financial statement show a loss of Euros 1,142 Euros thousand primarily because the first purchase transactions were made in the last quarter of 2011 and, in applying the IAS 39 measurement criteria at amortized cost to the receivables, contributed only marginally to the formation of the result for the year whereas the structure costs covered the entire year. The loss reported as a result of the start-up of business is not considered permanent and therefore no impairment charge was recorded on the investment. Following an engagement for a voluntary audit, PricewaterhouseCoopers Auditores S.L. expressed an unqualified opinion on the financial statements of Farmafactoring España S.A. approved on March 14, 2012.

**Property, plant and equipment**

in thousands of euros, unless otherwise indicated

| Items | 12.31.2010 | Net increases | Net decreases | 12.31.2011 | % of total |
|---|---|---|---|---|---|
| Buildings | 8,265 | 0 | (302) | 7,963 | 56.51% |
| Land | 3,685 | 0 | 0 | 3,685 | 26.15% |
| Extraordinary building maintenance | 325 | 129 | (182) | 273 | 1.94% |
| Plant | 571 | 181 | (223) | 529 | 3.75% |
| Furniture and fixtures | 269 | 160 | (72) | 357 | 2.53% |
| Electronic machines | 627 | 545 | (431) | 741 | 5.26% |
| Other property, plant and equipment | 642 | 64 | (162) | 544 | 3.86% |
| Total | 14,384 | 1,080 | (1,373) | 14,091 | 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.
The measurement at first-time adoption resulted in a revaluation of the buildings of about Euros 4 million.

Among the largest net additions made during 2011 are 'electronic machines' which mainly refer to hardware purchases.

**Payables**

in thousands of euros

| Items | 12.31.2011 | 12.31.2010 | Change |
|---|---|---|---|
| Due to banks | 1,117,385 | 1,305,599 | (188,214) |
| Due to financial institutions | 240,007 | 65,000 | 175,007 |
| Due to customers | 55,709 | 63,593 | (7,884) |
| Total | 1,413,101 | 1,434,192 | (21,091) |

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

"Due to financial institutions" refers to:
• the loan secured from International Factors Italia S.p.A. – IFITALIA, amounting to Euros 49.2 million and regulated by normal market conditions, with a due date of June 28, 2012;
• the loan secured from the parent, FF Holding S.p.A., amounting to Euros 5 million and regulated by normal market conditions, due on December 19, 2013;
• the liability payable to the vehicle company FF Finance S.r.l. for Euros 185.9 million relating to the previously noted securitization transaction structured with Banca IMI and WestLB.

**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 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 through profit or loss.
At December 31, 2011, "Financial assets held for trading" total Euros 323 thousand, compared to Euros 808 thousand at December 31, 2010; "Financial liabilities held for trading" total Euros 846 thousand, compared to Euros 1,279 thousand.
The fair value changes above result in a negative impact in the income statement of Euros 52 thousand which is recognized in "Gains/losses on trading".

**Provisions for risks and charges**
At December 31, 2011, "Provisions for risks and charges" amount to Euros 2,703 thousand and mainly include provisions referring to the workforce.

Provisions include primarily Euros 2,146 thousand for "Pension funds and similar obligations".

in thousands of euros

| Items | 12.31.2010 | Increase | Decrease | 12.31.2011 |
|---|---|---|---|---|
| Long-term employee benefits | 2,433 | 346 | (633) | 2,146 |
| Total | 2,433 | 346 | (633) | 2,146 |

These obligations have been measured in accordance with IAS 19 and were computed on the basis of actuarial calculations.

## COMMENTS ON THE RECLASSIFIED INCOME STATEMENT

The income statement for the year ended December 31, 2011 shows an after-tax profit for the year of Euros 40,200 thousand.
The key line items in the income statement are commented below.

**Net interest income**

in thousands of euros

| Items | 12.31.2011 | 12.31.2010 | Change | Change % |
|---|---|---|---|---|
| Maturity commissions | 65,245 | 69,263 | (4,018) | -5.80% |
| Interest on late payments | 57,209 | 57,192 | 17 | 0.03% |
| Other interest | 2,406 | 3,934 | (1,528) | -38.84% |
| Total interest income | 124,860 | 130,389 | (5,530) | -4.24% |
| Interest expenses | (56,112) | (45,778) | (10,334) | 22.57% |
| Net interest income | 68,748 | 84,611 | (15,864) | -18.75% |
| Net interest income margin (%) | 55,1% | 64,9% | | |

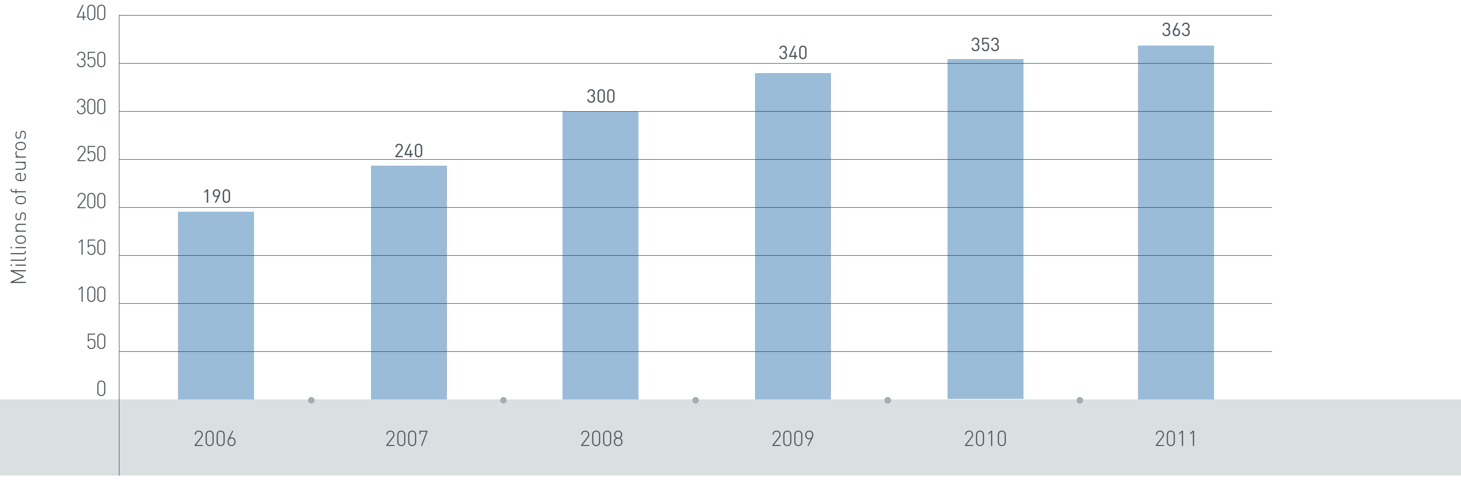
The recognition of "Maturity commissions" in the income statement reflects the effective yield from the application of the amortized cost criterion for measuring non-recourse receivables purchased, in accordance with IAS 39, as a result of which the income connected with such activity is recognized in relation to the yields originating from the estimated cash flows.
Following the application of the amortized cost measurement criterion, commissions were recorded in 2010 that had been invoiced in prior years at more favorable rates, whereas the effect in 2011 was the opposite.
The increase in interest rates in 2011 was included in the commissions applied during the year and this will partly result in a benefit in future years.

Interest expenses increased by approximately Euros 10.3 million compared to 2010. Such change is mainly attributable to the increase in borrowing costs, commissions on the sale of receivables operations and expenses on the pool operations carried out in 2011.

"Interest on late payments", given the uncertainty of the date of collection and the amount that will be received, is recognized in the income statement when it is effectively received.
The collections of "Interest on late payments" in 2011 are about Euros 57.2 million, a figure in line with the prior year.
"Interest on late payments" collected in 2011 includes interest relating to settlement agreements with the Regions for about Euros 16.5 million.

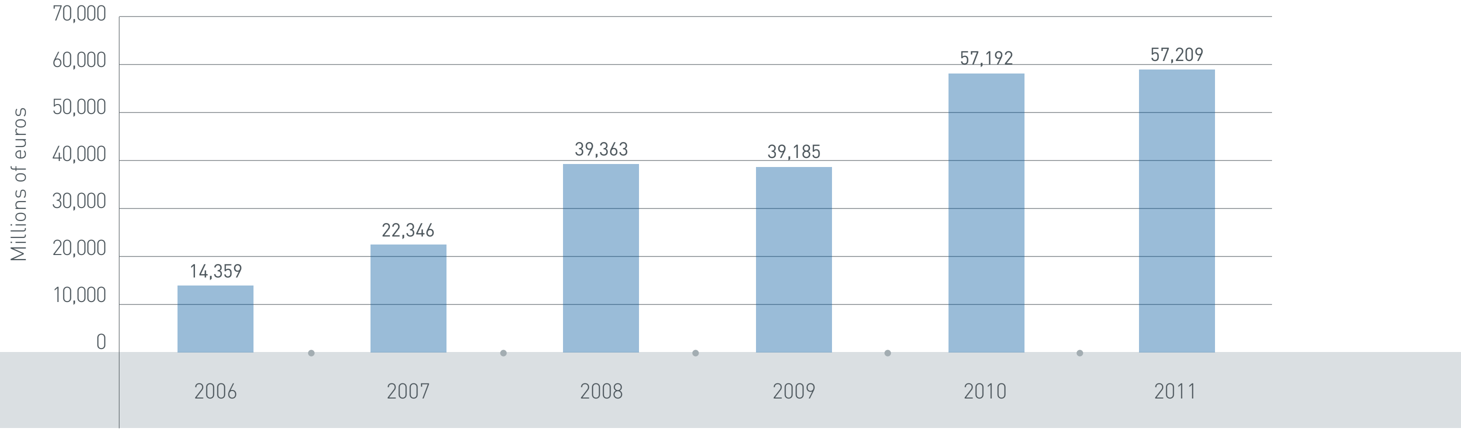
At December 31, 2011, "Interest on late payments" accruing on non-recourse receivables purchased amounts to approximately Euros 363 million, of which approximately Euros 160 million has already been invoiced and fully written off by an accrual for the same amount to the provision for interest on late payments.

### Provision for Interest on late payments




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

| Items | 12.12.2011 | 12.31.2010 | Change | Change % |
|---|---|---|---|---|
| Commission income | 11,578 | 11,720 | (142) | -1.20% |
| Commission charges | (356) | (234) | (122) | 52.27% |
| Net fee and commission income | 11,222 | 11,486 | (264) | -2.29% |

**Gains/losses on trading**

"Gains/losses on trading" refer to the recognition of the fair value of derivatives which had a minimum negative impact on the income statement of Euros 52 thousand at December 31, 2011.

*Fair value changes in derivatives*

in thousands of euros

| Items | Carrying amount | Change |
|---|---|---|
| Financial assets held for trading | | |
| Amount at 12/31/2010 | 808 | |
| Amount at 12/31/2011 | 323 | (485) |
| Financial liabilities held for trading | | |
| Amount at 12/31/2010 | 1,279 | |
| Amount at 12/31/2011 | 846 | 433 |
| Gains/losses on trading | | (52) |

The trend of interest rates during the year generated a negative impact on the fair value measurement of derivatives of approximately Euro 52 thousand, compared to a positive Euros 5.5 million in 2010.

## 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 turnover.

The data can be summarized as follows:
• growing trend of Regulatory Capital;
• 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 review is presented below.

in millions of euros, unless otherwise indicated

| Items | 12.31.2011 | 12.31.2010 | 12.31.2009 |
|---|---|---|---|
| Net interest income | 68.7 | 84.6 | 76.3 |
| Operating income | 79.9 | 101.6 | 88.2 |
| EBTDA | 61.5 | 80.9 | 67.0 |
| Profit | 40.2 | 53.3 | 42.8 |
| R.O.E. (Return On Equity) (%) | 24.9% | 35.3% | 30.5% |
| Operating income / Non-recourse volumes (%) | 3.9% | 4.7% | 4.5% |
| Interest charges / Maturity commissions (%) | 86.0% | 58.2% | 58.9% |
| Net interest income / Interest income and similar income (%) | 55.1% | 64.9% | 64.4% |
| Non-performing (net of impairment losses) / Outstanding | 0.78% | 0.01% | 0.25% |
| Regulatory capital / Weighted outstanding | 22.4% | 45.9% | 43.8% |
| Equity | 202.0 | 204.3 | 183.3 |
| Regulatory Capital | 175.0 | 153.1 | 148.7 |

In prospective terms, the Company's plans for growth highlight further significant margins for expansion, shaped partly by the deferred start of the operating activities of Farmafactoring España S.A., which will bring a new vision to the group's development.
Consequently, there are no elements such as to compromise the going concern assumption.

*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 2012, from which it can be seen, in prospective terms, that there are good expectations both from the standpoint of turnover and earnings, even though there remains a situation of tight credit which, presumably, will limit lending activities.

Commercial efforts will be directed towards cementing relations with the acquired clientele, growing by particularly focusing on the traditional sector and expanding non-recourse services for existing customers.
In this context, a profit is again estimated for 2012, with a net profit agreeing with a budget 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.

With an economic and financial context that is still difficult, the Company has 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 reference market denotes a growth in demand for the sale of non-recourse receivables, countering 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 under the going concern assumption".

**Risk management and compliance with the prudential supervision regulation**
Since 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.

Pillar 1 - Capital adequacy to meet typical risks associated with financial activities

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 capital 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 amount of capital needed is determined considering the current reporting rules.

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, 2011, in relation to its business, is adequate according to the level of capitalization and the profile of risk identified.
The regulatory capital ratios are now 16.5% for the Tier 1 Capital Ratio and 16.6% for the Total Capital Ratio.

in millions of euros, unless otherwise indicated

| Details | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| Tier 1 capital | 174.3 | 133.4 |
| Tier 2 capital | 0.7 | 19.7 |
| Regulatory Capital | 175.0 | 153.1 |
| Risk-weighted assets | 1.057.4 | 597.4 |
| *Tier 1 Capital Ratio (%)* | 16.5% | 22.3% |
| *Total Capital Ratio (%)* | 16.6% | 25.6% |

The decrease in the capital adequacy ratio compared to the prior year is attributable to the downgrading of Italy's sovereign credit rating from class 1 to 2 with a consequent worsening of the risk weight of the receivables portfolios held. Specifically, the risk weight of receivables due from the Public Administration went from 20% to 50%, thus causing an increase in the amount of risk-weighted assets.

Following the downgrade, in order to further strengthen the Company's solid asset base, the board of directors in its meeting held on November 15, 2011 passed a resolution to increase Regulatory Capital by Euros 20 million, appropriating a part of the profit reported by the Company for the six months to June 30, 2011, amounting to Euros 21.2 million. In total, after various increments, the Regulatory Capital increased from Euros 153.1 million to Euros 175 million. Such increase allows the capital ratios to remain more at levels that are more than sufficient.
The shareholders, in the special shareholders' meeting held on November 29, 2011, passed a resolution for a bonus increase in share capital from Euros 110.5 million to Euros 130.9 million, for a total of Euros 20.4 million, by drawing from the available valuation reserves recorded in the financial statements.

According to the provisions dictated *"Instructions for the Preparation of the Financial Statements of Financial Intermediaries ex Art. 107 of TUB, payment institutions, IMELs, SGRs and SIMs"* written by the Bank of Italy, updated on March 13, 2012, the amount of Risk-weighted assets is calculated 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 control 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 presents the ICAAP summary by April 30, 2012 to Bank of Italy 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 annual 2011 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

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 period*
There are no significant subsequent events to report.

## MOTION FOR THE APPROPRIATION OF PROFIT

Dear Shareholders,
The financial statements for the year ended December 31, 2011 show a profit of Euros 40,200,468 and the board motions for the appropriation of profit as follows:

| | |
|---|---|
| Profit | 40,200,468 |
| - 5% to the legal reserve | 2,010,023 |
| To the shareholders: | |
| Euros 11.5 per share to each of the 1,700,000 shares | 19,550,000 |
| To retained earnings | 18,640,445 |

After the appropriation of profit, the legal reserve will be equal to Euros 16,221,666 and "Retained earnings" will amount to Euros 31,386,506.

On behalf of the Board of Directors
The Chairman
Marco Rabuffi

# 02 FINANCIAL STATEMENTS AT DECEMBER 31, 2011

## BALANCE SHEET

in euros

| Assets | 12.31.2011 | 12.31.2010 |
|---|---|---|
| 10. Cash and cash balances | 2,004 | 2,305 |
| 20. Financial assets held for trading | 322,885 | 808,479 |
| 40. Available-for-sale financial assets | 23,492 | 26,887 |
| 60. Receivables | 1,609,543,936 | 1,662,692,691 |
| 90. Investments | 6,293,900 | 6,263,900 |
| 100. Property, plant and equipment | 14,091,112 | 14,384,017 |
| 110. Intangible assets | 1,133,777 | 963,313 |
| 120. Tax assets | 28,681,447 | 25,030,950 |
| *a) current* | *26,073,030* | *21,317,822* |
| *b) deferred* | *2,608,417* | *3,713,128* |
| 140. Other assets | 8,951,865 | 4,677,724 |
| TOTAL ASSETS | 1,669,044,418 | 1,714,850,266 |

in euros

| Liabilities and Equity | 12.31.2011 | 12.31.2010 |
|---|---|---|
| 10. Payables | 1,413,101,322 | 1,434,191,589 |
| 30. Financial liabilities held for trading | 845,778 | 1,279,064 |
| 70. Tax liabilities | 31,679,212 | 37,672,229 |
| *a) current* | *20,411,805* | *26,361,320* |
| *b) deferred* | *11,267,407* | *11,310,909* |
| 90. Other liabilities | 18,033,404 | 32,521,548 |
| 100. Employee severance indemnities | 712,385 | 699,489 |
| 110. Provisions for risks and charges: | 2,702,844 | 4,217,342 |
| *a) pension funds and similar obligations* | *2,146,373* | *2,433,747* |
| *b) other provisions* | *556,471* | *1,783,595* |
| 120. Share capital | 130,900,000 | 105,400,000 |
| 160. Reserves | 27,046,029 | 21,385,158 |
| 170. Valuation reserves | 3,822,976 | 24,222,976 |
| 180. Profit for the year | 40,200,468 | 53,260,871 |
| TOTAL LIABILITIES AND EQUITY | 1,669,044,418 | 1,714,850,266 |

## INCOME STATEMENT

in euros

| Items | | 12.31.2011 | 12.31.2010 |
|---|---|---|---|
| 10. | Interest and similar income | 124,859,960 | 130,389,332 |
| 20. | Interest and similar charges | (56,112,153) | (45,778,111) |
| | NET INTEREST MARGIN | 68,747,807 | 84,611,221 |
| 30. | Fee and commission income | 11,578,351 | 11,719,252 |
| 40. | Fee and commission charges | (356,130) | (233,886) |
| | NET FEES AND COMMISSIONS | 11,222,221 | 11,485,366 |
| 60. | Gains / losses on trading | (52,309) | 5,459,414 |
| | OPERATING INCOME | 79,917,719 | 101,556,001 |
| 100. | Impairment losses/reversals on: | | |
| | *a) financial assets* | 807,203 | *2,096,532* |
| 110. | Administrative expenses: | | |
| | *a) personnel costs* | *(8,397,992)* | *(9,030,229)* |
| | *b) other administrative expenses* | *(13,802,732)* | *(14,322,013)* |
| 120. | Impairment losses/reversals on property, plant and equipment | (1,372,606) | (1,581,759) |
| 130. | Impairment losses/reversals on intangible assets | (430,539) | (283,374) |
| 150. | Net provisions for risks and charges | 786,141 | (1,211,150) |
| 160. | Other operating income/expenses | 3,763,379 | 3,145,420 |
| | OPERATING PROFIT | 61,270,573 | 80,369,428 |
| | PROFIT BEFORE TAX FROM CONTINUING OPERATIONS | 61,270,573 | 80,369,428 |
| 190. | Income taxes on profit from continuing operations | (21,070,105) | (27,108,557) |
| | PROFIT AFTER TAX FROM CONTINUING OPERATIONS | 40,200,468 | 53,260,871 |
| | PROFIT FOR THE YEAR | 40,200,468 | 53,260,871 |

## STATEMENT OF COMPREHENSIVE INCOME

in euros

| Items | 12.31.2011 | 12.31.2010 |
|---|---|---|
| 10. Profit for the year | 40,200,468 | 53,260,871 |
| 110. Total Other comprehensive income after taxes | 0 | 0 |
| 120. COMPREHENSIVE INCOME (Items 10 + 110) | 40,200,468 | 53,260,871 |

## STATEMENT OF CHANGES IN EQUITY

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** |

in euros

## For the year ended December 31, 2011

| | | | | Appropriation prior year profit | | Change in equity during the year | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Equity transactions | | | | | | |
| | Opening balance 12.31.2010 | Adjust. to opening balance | Opening balance 12.31.2011 | 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 2011 | Equity 12.31.2011 |
| Share capital | 105,400,000 | | 105,400,000 | | | 20,400,000 | 5,100,000 | | | | | | 130,900,000 |
| Share premium | | | | | | | | | | | | | |
| Reserves | | | | | | | | | | | | | |
| *a) income reserves* | 21,385,158 | | 21,385,158 | 10,760,871 | | | (5,100,000) | | | | | | 27,046,029 |
| *b) other reserves* | | | | | | | | | | | | | |
| Valuation reserves | 24,222,976 | | 24,222,976 | | | (20,400,000) | | | | | | | 3,822,976 |
| Equity instruments | | | | | | | | | | | | | |
| Treasury shares | | | | | | | | | | | | | |
| Profit for the year | 53,260,871 | | 53,260,871 | (10,760,871) | (42,500,000) | | | | | | | 40,200,468 | 40,200,468 |
| **Equity** | 204,269,005 | | 204,269,005 | 0 | (42,500,000) | 0 | 0 | | | | | 40,200,468 | **201,969,473** |

## STATEMENT OF CASH FLOWS INDIRECT METHOD

in euros

| | 12.31.2011 | 12.31.2010 |
|---|---|---|
| **A. Operating Activities** | | |
| **1. Operations** | **39,681,911** | **51,515,678** |
| profit for the year (+/-) | 40,200,468 | 53,260,871 |
| gains/losses on financial assets held for trading and on financial assets/liabilities at fair value through profit or loss (-/+) | | |
| gains/losses on hedging activities (-/+) | | |
| impairment losses/reversals (+/-) | (807,204) | (2,096,532) |
| impairment losses/reversals on property, plant and equipment and intangible assets (+/-) | 1,803,145 | 1,865,133 |
| net provisions and other costs/revenues (+/-) | (1,514,498) | (1,513,794) |
| unpaid indirect taxes and duties (+) | | |
| net losses/reversals of disposal groups, net of the tax effect (+/-) | | |
| other (+/-) | | |
| **2. Cash flows from/used by financial assets** | **(46,520,308)** | **(37,464,030)** |
| financial assets held for trading | (485,594) | 808,479 |
| financial assets designated at fair value | | |
| available-for-sale financial assets | (3,395) | |
| due from banks | (15,824,495) | (32,380,586) |
| due from financial institutions | (48,915) | |
| due from customers | (38,082,548) | (11,791,213) |
| other assets | 7,924,639 | 5,899,290 |
| **3. Cash flows from/used by financial liabilities** | **(41,991,818)** | **(49,629,108)** |
| due to banks | (188,213,656) | (115,958,069) |
| due to financial institutions | (10,847,918) | 47,444,974 |
| due to customers | 177,971,307 | 2,665,417 |
| securities issued | | |
| financial liabilities held for trading | (433,286) | (4,650,935) |
| financial liabilities designated at fair value | | |
| other liabilities | (20,468,265) | 20,869,505 |
| **Net cash flows from/used in operating activities** | **44,210,401** | **39,350,600** |
| **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** | **(1,710,702)** | **(7,058,937)** |
| purchases of equity investments | (30,000) | (6,000,000) |
| purchases of held-to-maturity financial assets | | |
| purchases of property, plant and equipment | (1,079,700) | (467,355) |
| purchases of intangible assets | (601,002) | (591,582) |
| purchases of business segments | | |
| **Net cash flows from/used in investing activities** | **(1,710,702)** | **(7,058,937)** |
| **C. Financing Activities** | | |
| issue/purchase of treasury shares | | |
| issue/purchase of equity instruments | | |
| payment of dividends and other | (42,500,000) | (32,300,000) |
| **Net cash flows from/used in financing activities** | **(42,500,000)** | **(32,300,000)** |
| **Net increase (decrease) in cash and cash equivalents** | (301) | 8,337 |

## RECONCILIATION

in euros

| | 12.31.2011 | 12.31.2010 |
|---|---|---|
| Cash and cash equivalents at beginning of the year | 2,305 | 10,642 |
| Change in cash and cash equivalents during the year | (301) | (8,337) |
| Cash and cash equivalents at end of the year | 2,004 | 2,305 |

## 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 (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 Financial Intermediaries ex Art. 107 of TUB, payment institutions, IMELs, SGRs and SIMs"* written by Bank of Italy and issued on March 13, 2012 with effect on the financial statements for the year ended December 31, 2011.

***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 March 13, 2012 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, 2011.

***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 composition 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 accounting control 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 Financial Intermediaries registered in the Special List of IMELs, SGRs and SIMs"* written by Bank of Italy and issued on December 16, 2009, and reiterated in the new *"Instructions for the Preparation of the Financial Statements of Financial Intermediaries ex Art. 107 of TUB, payment institutions, IMELs, SGRs and SIMs"* written by Bank of Italy and issued on March 13, 2012, are the following:

A) IAS 1 revised: the introduction of the statement of comprehensive income;
B) amendments to IAS 39 and IFRS 7: the reclassification of financial instruments among 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, 2011;
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:** input levels other than quoted prices included in Level 1 observable either directly or indirectly;
• **level 3:** input levels not based on observable market data.
The amendment to IFRS 7 is applicable to Farmafactoring at December 31, 2011 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.
The recognition value corresponds to the fair value of the instrument.

*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 activities for the purchase of non-recourse receivables.

*Measurement criteria*
Financial assets held for trading are adjusted to the relative fair value.
If the fair value of a financial asset becomes negative, it is recorded as a financial liability.
Since these instruments are not listed 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 March 13, 2012 and following 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 relating to these financial assets.

***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 through profit or loss.
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 and classification 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 on the basis of the present value of 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 indication of impairment 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 March 13, 2012 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 derecognized when they are considered unrecoverable.
Receivables sold are derecognized only when the sale transfers all the risks and rewards relating to such receivables.
When, instead, the risks and rewards are retained, the receivables sold will continue to be recorded in the assets of the financial statements until, legally, ownership of the receivables is actually transferred.

### *A.2.4 Investments*

*Recognition and classification criteria*
These consist of investments in which the Company has control.
Specifically, this refers to the company Farmafactoring España S.A., 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 measured 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 investments 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 investments in new programs and software for use over 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 derecognized from the statement of financial position 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 yield; 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 yield 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 2011, as in 2010, 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 | | 323 | | 323 |
| 2. Financial assets at fair value through profit or loss | | | | |
| 3. Available-for-sale financial assets | | | | |
| 4. Hedging derivative assets | | | | |
| Total | | 323 | | 323 |
| 1. Financial liabilities held for trading | | 846 | | 846 |
| 2. Financial liabilities at fair value through profit or loss | | | | |
| 3. Hedging derivative liabilities | | | | |
| Total | | 846 | | 846 |

In 2011, as in 2010, 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, 2011, 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/liabilities compared to December 31, 2010 is recognized in income under gains/losses on trading (+/-).

At December 31, 2011, as in the prior year, there are no financial assets/liabilities measured at fair value at "Level 3" and during the year there were no changes involving such assets/liabilities.

### *A.3.3 Day one profit/loss*

In 2011, as in 2010, financial assets were not reclassified.

At December 31, 2011, 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*

*Composition of item 10 "Cash and cash balances"*

Cash and cash balances are represented by the cash fund.
There are no significant changes compared to December 31, 2010.

***Section 2 - Financial assets held for trading - Item 20***
*Euros 323*

Financial assets held for trading at December 31, 2011 and at December 31, 2010 refer to financial derivatives issued by banks, classified in the fair value hierarchy level as Level 2.

*2.1 Financial assets held for trading: product breakdown*

| | Total 12.31.2011 | | | Total 12.31.2010 | | |
|---|---|---|---|---|---|---|
| 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 | | 323 | | | 808 | |
| 2. Credit derivatives | | | | | | |
| Total B | | 323 | | | 808 | |
| Total A+B | | 323 | | | 808 | |

At December 31, 2011, the fair value of the assets linked to financial derivatives held for trading is Euros 323, and the notional value of reference is Euros 145,000 as can be seen in the following table.

*2.2 Derivative financial instruments*

| Types / Underlyings | Interest rate | Currency | Equity securities | Other | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|---|---|---|---|
| 1. Over the counter | | | | | | |
| Financial derivatives | | | | | | |
| - Fair value | *323* | | | | *323* | *808* |
| - Notional amount | 145,000 | | | | 145,000 | 198,000 |
| Credit derivatives | | | | | | |
| - Fair value | | | | | | |
| - Notional amount | | | | | | |
| Total | 323 | | | | 323 | 808 |
| 2. Other | | | | | | |
| Financial derivatives | | | | | | |
| - Fair value | | | | | | |
| - Notional amount | | | | | | |
| Credit derivatives | | | | | | |
| - Fair value | | | | | | |
| - Notional amount | | | | | | |
| Total | | | | | | |
| Total | 323 | | | | 323 | 808 |

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

| Items / Amounts | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| 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 | 323 | 808 |
| b) Other counterparties | | |
| Total | 323 | 808 |

***Section 4 - Available-for-sale financial assets - Item 40***
*Euros 23*

This amount represents the investment in the company Nomisma S.p.A. – Società di Studi Economici.
The main 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. | 23,491.75 | 72,667 | 0.32 | 0.356% |

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

amounts in euros, referring to December 31, 2010

| | |
|---|---|
| Head office | Bologna - Strada Maggiore n. 44 |
| Share capital | Euros 6,605,829.68 fully paid-in |
| Equity | 4,670,362 |
| Loss for the year | (664,953) |

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

| Items / Amounts | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| Financial assets | | |
| a) Governments and central banks | | |
| b) Other public sector entities | | |
| c) Banks | | |
| d) Financial institutions | | |
| e) Other issuers | 23 | 27 |
| Total | 23 | 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 | | (4) | | (4) |
| C.5 Transfers to other portfolios | | | | |
| C.6 Other changes | | | | |
| D. Ending balance | | 23 | | 23 |

The value of investments decreased by Euros 4 following the reduction in share capital of Nomisma S.p.A. to cover the loss.

***Section 6 - Receivables - Item 60***
*Euros 1,609,544*

The item mainly includes receivables from debtors for factoring activities.

*6.1 "Due from banks"*
*Euros 68,328*

"Due from banks" amounts to Euros 68,328 and includes bank current account balances at December 31, 2011.
The amounts due from banks derive mainly from the liquidity on collections received in the final days of the period, pending clearance, relating to both the management of the "mandate" for receivables collection and the management of "non-recourse receivables purchased".

| Composition | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| 1. Deposits and current accounts | 68,328 | 84,153 |
| 2. Financing | | |
| 2.1 Repurchase agreements | | |
| 2.2 Finance leases | | |
| 2.3 Factoring activities | | |
| - with recourse | | |
| - non-recourse | | |
| 2.4 Other financing | | |
| 3. Debt securities | | |
| - structured | | |
| - other | | |
| 4. Other assets | | |
| Total carrying amount | 68,328 | 84,153 |
| Total fair value | 68,328 | 84,153 |

*6.2 "Due from financial institutions"*
*Euros 1,226*

| Composizione | Total 12.31.2011 | | Total 12.31.2010 | |
|---|---|---|---|---|
| | Performing | Impaired | Performing | Impaired |
| 1. Financing | | | | |
| 1.1 Repurchase agreements | | | | |
| 1.2 Finance leases | | | | |
| 1.3 Factoring activities | | | | |
| - with recourse | | | | |
| - non-recourse | | | | |
| 1.4 Other financing | | | | |
| 2. Debt securities | | | | |
| - structured | | | | |
| - other | | | | |
| 3. Other assets | 1,226 | | 1,275 | |
| Total carrying amount | 1,226 | | 1,275 | |
| Total fair value | 1,226 | | 1,275 | |

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

*6.3 "Due from customers"*
*Euros 1,539,990*

The composition 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 1,510,337.
There are no "past due receivables not impaired" in this item (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;
• receivables sold, for a total of Euros 243,475, but not derecognized from the assets in the financial statements since the sale did not involve the transfer of the risks and rewards associated with such receivables. The amount refers to the first tranche of the transaction for the securitization of health care receivables, structured with Banca IMI and WestLB, activated in June;
• impaired assets, inclusive of exposure for purchases below face value, total Euros 18,648 and comprise:
  - Non-performing: the amount of Euros 11,996 corresponds to the exposure with the debtor Fondazione San Raffaele del Monte Tabor. After an agreement was recognized by the composition of creditors, approved by the meeting of creditors on March 19, 2012, for the principal as well as the late interest, which was nevertheless completely written down, the Company decided not to make any provision since the total of the collections deriving from the agreement are in line with the outstanding amount of principal.
    The other non-performing receivables have been completely written down by an adjusting provision account so that their net amount is nil.
  - Doubtful receivables, for Euros 842;
  - Past due receivables, for Euros 5,810;
• receivables from assignors for advances made on with recourse receivables for Euros 179;
• other receivables due from customers amount to Euros 8,635 and include:
  - advances, commissions to be invoiced to assignors and interest on extended payment terms granted and to be charged to the debtors, for Euros 3,635;
  - the loan for Euros 5,000 made to the subsidiary Farmafactoring España S.A. on October 7, 2011, due by contract on April 3, 2013, regulated by normal market conditions.
• receivables from assignors for legal fees to be recovered for Euros 2,191;
• receivables for interest on late payments. At December 31, 2011 the amount is Euros 159,895 which is 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 5,810 and consist of receivables from central administrations and central banks, territorial entities, public sector entities, non-profit entities and companies which at December 31, 2011 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 842 and are composed of exposure with parties that are in temporary situations of objective difficulty which are expected to pass within a reasonable period of time.
Non-performing receivables amount to Euros 11,996 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 241 at December 31, 2011.

At December 31, 2011, the realizable value of receivables purchased below face value is equal to Euros 1,344.

| | Total 12.31.2011 | | Total 12.31.2010 | |
|---|---|---|---|---|
| Breakdown | Performing | Impaired | Performing | Impaired |
| 1. Finance leases | | | | |
| *of which, without final purchase option* | | | | |
| 2. Factoring | | | | |
| - with recourse | 179 | | 499 | |
| - non-recourse | 1,510,337 | 18,648 | 1,565,775 | 4,118 |
| 3. Consumer credit | | | | |
| (including revolving cards) | | | | |
| 4. Credit cards | | | | |
| 5. Other financing | 8,635 | | 4,638 | |
| *of which:* | | | | |
| *from guarantees and commitments* | | | | |
| 6. Debt securities | | | | |
| - structured | | | | |
| - other | | | | |
| 7. Other assets | 2,191 | | 2,235 | |
| Total carrying amount | 1,521,342 | 18,648 | 1,573,147 | 4,118 |
| Total fair value | 1,521,342 | 18,648 | 1,573,147 | 4,118 |

Legal action that is undertaken is mainly aimed at 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.

*6.4 "Receivables: assets guaranteed"*
*Euros 179*

Guaranteed receivables refer to advances made to assignors under transactions for the sale of with recourse receivables. The VE column (carrying amount of exposures) 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 835 at December 31, 2011, exceeds the value of the assets guaranteed and, therefore, in accordance also with Bank of Italy's instruction (note 116897 of February 12, 2010), the VG column carries the same amount as the VE column.

| | Total 12.31.2011 | | | | | | Total 12.31.2010 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | | | | | 179 | 179 | | | | | 499 | 499 |
| - 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 | | | | | 179 | 179 | | | | | 499 | 499 |

***Section 9 – Investments – Item 90***
*Euros 6,294*

Investments refer to the company Farmafactoring España S.A., a wholly-owned subsidiary of Farmafactoring.
The investment amounts to Euros 6,294 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 on the Spanish market.
Key information about Farmafactoring España S.A. at December 31, 2011 is presented in the following table.
The financial statements of the Spanish company refer to the year ended December 31, 2011.

***9.1 Investments: information***

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

| Name | Carrying amount | Investment Holding % | Voting rights % | Headquart. | Total assets | Total revenues | Equity | Profit/loss | Listed (Yes/No) |
|---|---|---|---|---|---|---|---|---|---|
| A. Subsidiaries wholly-owned<br>*1. Farmafactoring España S.A.* | 6,294 | 100% | 100% | Madrid (E) | 10,761 | 150 | 4,939 | (1,142) | No |
| B. Subsidiaries under joint control | | | | | | | | | |
| C. Companies under significant influence | | | | | | | | | |

*9.2 Annual changes in investments*

| | Group investments | Non-Group investments | Total |
|---|---|---|---|
| A. Beginning balance | 6,264 | | 6,264 |
| B. Increases | | | |
| B.1 Purchases | | | |
| B.2 Impairment reversals | | | |
| B.3 Revaluations | | | |
| B.4 Other changes | 30 | | 30 |
| C. Decreases | | | |
| C.1 Sales | | | |
| C.2 Impairment losses | | | |
| C.3 Other changes | | | |
| D. Ending balance | 6,294 | | 6,294 |

***Section 10 - Property, plant and equipment – Item 100***
*Euros 14,091*

*10.1 Composition of item 100 "Property, plant and equipment"*

| Items / Measurement | Total 12.31.2011 | | Total 12.31.2010 | |
|---|---|---|---|---|
| | 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 | 8,235 | | 8,590 | |
| c) furniture and fixtures | 357 | | 269 | |
| d) for use in the business | 1,270 | | 1,198 | |
| e) other | 544 | | 642 | |
| 1.2 purchased under finance leases | | | | |
| a) land | | | | |
| b) buildings | | | | |
| c) furniture and fixtures | | | | |
| d) for use in the business | | | | |
| e) other | | | | |
| Total 1 | 14,091 | | 14,384 | |
| 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) | 14,091 | | 14,384 | |
| Total (Assets at cost and revalued) | 14,091 | | 14,384 | |

*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 | 8,590 | 269 | 1,198 | 642 | 14,384 |
| B. Increases | | | | | | |
| B.1 Purchases | | 129 | 160 | 726 | 64 | 1,080 |
| 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 | | (484) | (72) | (654) | (162) | (1,373) |
| 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 | 8,235 | 357 | 1,270 | 544 | 14,091 |

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 for 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 1,134*

*11.1 Composition of item 110 "Intangible assets"*

| | 12.31.2011 | | 12.31.2010 | |
|---|---|---|---|---|
| | Assets measured at cost | Assets measured at fair value | Assets measured at cost | Assets measured at fair value |
| 1. Goodwill | | | | |
| 2. Other intangible assets | | | | |
| 2.1 owned | | | | |
| - generated internally | | | | |
| - other | 1,134 | | 963 | |
| 2.2 purchased under finance leases | | | | |
| Total 2 | 1,134 | | 963 | |
| 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) | 1,134 | | 963 | |
| Total | 1,134 | | 963 | |

*11.2 Intangible assets: annual changes*

| | Total |
|---|---|
| A. Beginning balance | 963 |
| B. Increases | |
| B.1 Purchases | 601 |
| 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 | (430) |
| 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 | 1,134 |

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 Composition of item 120 "Tax assets: current and deferred"*
*Euros 28,681*

| | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| A) Current tax assets | | |
| IRAP on-account payments | 4,207 | 3,551 |
| IRES on-account payments | 21,866 | 17,767 |
| other | | |
| Total | 26,073 | 21,318 |
| B) Deferred tax assets | | |
| deferred tax assets | 2,608 | 3,713 |
| Total | 2,608 | 3,713 |
| Total | 28,681 | 25,031 |

*12.2 Composition of item 70 "Tax liabilities: current and deferred"*
*Euros 31,679*

| | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| A) Current tax liabilities | | |
| prior year residual amount | 403 | 161 |
| IRAP and IRES provision charges | 20,009 | 26,200 |
| Total | 20,412 | 26,361 |
| B) Tax liabilities deferred | 11,267 | 11,311 |
| Total | 31,679 | 37,672 |

The Company has a dispute pending with the Tax Revenue Agency which originated from an audit for the years 2004-2007 and refers to the writeback of accelerated depreciation in excess of the deductible amount, following the reclassification for tax purposes of an item in the financial statements. Tax assessments have been received from the Tax Revenue Agency for the years 2004, 2005 and 2006 which have been contested before the competent Tax Commissions.
At this time, only the 2004 tax assessment was ruled on by the Milan Provincial Tax Commission which handed down its verdict on January 20, 2011 (a verdict that was appealed by the Tax Revenue Agency to the Regional Tax Commission). 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 the subsequent years in dispute.

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 2,608*

| | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| 1. Beginning balance | 3,713 | 4,777 |
| 2. Increases | | |
| 2.1 Deferred tax assets recognized during the year | | |
| a) relating to prior years | | |
| b) due to changes in accounting policies | | |
| c) impairment reversals | | |
| d) other | 150 | 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 | (1,255) | (1,508) |
| 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 | 2,608 | 3,713 |

*12.4 Change in deferred tax liabilities (through profit or loss)*
*Euros 11,267*

| | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| 1. Beginning balance | 11,311 | 11,466 |
| 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 | 2 | 4 |
| 2.3 Other increases | | |
| 3. Decreases | | |
| 3.1 Deferred tax liabilities canceled during the year | | |
| a) reversals | (46) | (159) |
| b) due to changes in accounting policies | | |
| c) other | | |
| 3.2 Tax rate reductions | | |
| 3.3 Other decreases | | |
| 4. Ending balance | 11,267 | 11,311 |

***Section 14 - Other assets - Item 140***

***14.1 Composition of item 140 "Other assets"***
*Euros 8,952*

| Details | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| Security deposits | 16 | 17 |
| Other receivables | 679 | 385 |
| Accrued income and prepaid expenses | 8,257 | 4,276 |
| Total | 8,952 | 4,678 |

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

## LIABILITIES AND EQUITY

***Section 1 - Payables - Item 10***
*Euros 1,413,101*

*1.1 Payables*

| Items | Total 12.31.2011 | | | Total 12.31.2010 | | |
|---|---|---|---|---|---|---|
| | 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 | 1,117,385 | 240,007 | | 1,305,599 | 65,000 | |
| 2. Other amounts due | | | 55,709 | | | 63,593 |
| Total | 1,117,385 | 240,007 | 55,709 | 1,305,599 | 65,000 | 63,593 |
| Fair value | 1,117,385 | 240,007 | 55,709 | 1,305,599 | 65,000 | 63,593 |

“Other financing” refers to exposure with banking institutions and financial institutions.

“Due to financial institutions” refers to loans secured from:
• the company, International Factors Italia S.p.A. – IFITALIA, amounting to Euros 49.2 million, regulated by normal market conditions, with a due date of June 28, 2012;
• the parent, FF Holding S.p.A., for Euros 5 million, regulated by normal market conditions, due by contract on December 19, 2013;
• the liability payable to the vehicle company FF Finance S.r.l. for Euros 185.9 million relating to the previously noted securitization transaction structured with Banca IMI and WestLB.

***Section 3 - Financial liabilities held for trading - Item 30***
*Euros 846*

The amounts at December 31, 2011 and at December 31, 2010 refer to financial derivatives issued by banks.

*3.1 Composition of item 30 "Financial liabilities held for trading"*

| Liabilities | Total 12.31.2011 | | | | | Total 12.31.2010 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fair value | | | | | Fair value | | | | |
| | L1 | L2 | L3 | FV | VN | L1 | L2 | L3 | FV | VN |
| A. Financial liabilities | | | | | | | | | | |
| 1. Payables | | | | | | | | | | |
| 2. Debt securities | | | | | | | | | | |
| - bonds | | | | | | | | | | |
| - structured | | | | | | | | | | |
| - other | | | | | | | | | | |
| - other securities | | | | | | | | | | |
| - structured | | | | | | | | | | |
| - other | | | | | | | | | | |
| B. Derivatives | | | | | | | | | | |
| 1. Financial derivatives | | 846 | | 846 | 174,000 | | 1,279 | | 1,279 | 103,000 |
| 2. Credit derivatives | | | | | | | | | | |
| Total | | 846 | | 846 | 174,000 | | 1,279 | | 1,279 | 103,000 |

At December 31, 2011, the value of the liabilities connected to the fair value of the financial derivatives held for trading is Euros 846 and the notional value of reference is Euros 174,000.

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

| Types / Underlyings | Interest rates | Currency | Equity securities | Other | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|---|---|---|---|
| 1. Over the counter | | | | | | |
| Financial derivatives | | | | | | |
| - Fair value | *846* | | | | *846* | *1,279* |
| - Notional amount | 174,000 | | | | 174,000 | 103,000 |
| Credit derivatives | | | | | | |
| - Fair value | | | | | | |
| - Notional amount | | | | | | |
| Total | 846 | | | | 846 | 1,279 |
| 2. Altri | | | | | | |
| Financial derivatives | | | | | | |
| - Fair value | | | | | | |
| - Notional amount | | | | | | |
| Credit derivatives | | | | | | |
| - Fair value | | | | | | |
| - Notional amount | | | | | | |
| Total | | | | | | |
| Total | 846 | | | | 846 | 1,279 |

***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 18,034*

*9.1 Composition of item 90 "Other liabilities"*

| Details | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| Payables to suppliers and invoices to be received | 6,085 | 6,625 |
| Payables to the parent | | 191 |
| Payables to the subsidiary | | 6,000 |
| Payables to the tax authorities | 366 | 470 |
| Payables to social security agencies | 291 | 391 |
| Payables to employees | 833 | 2,178 |
| Payables for receivables management | 2,488 | 1,182 |
| Collections pending allocation | 1,411 | 2,011 |
| Other payables | 4,254 | 10,360 |
| Accrued liabilities and deferred income | 2,306 | 3,114 |
| Total | 18,034 | 32,522 |

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

"Collections pending allocation" refer to payments received by December 31, 2011 but still outstanding since they were not cleared and recorded by that date.

"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 expenses accrued on loans.

***Section 10 - Employee severance indemnities - Item 100***
*Euros 712*

*10.1 "Employee severance indemnities": changes during the year*

| | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| A. Beginning balance | 699 | 846 |
| B. Increases | | |
| B.1 Provision for the year | 271 | 232 |
| B.2 Other increases | | |
| C. Decreases | | |
| C.1 Payments made | (6) | (152) |
| C.2 Other decreases | (252) | (227) |
| D. Ending balance | 712 | 699 |

*10.2 Other information*
The liability recognized in the financial statements at December 31, 2011 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 2,703*

*11.1 Composition of item 110 "Provisions for risks and charges"*

| | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| Pension funds and similar obligations | 2,146 | 2,433 |
| Other provisions | 557 | 1,784 |
| Total | 2,703 | 4,217 |

*11.2 "Provisions for risks and charges in item 110": changes during the year*

| | Total 31.12.2011 | Total 31.12.2010 |
|---|---|---|
| Beginning balance | 4,217 | 5,731 |
| Increases | | |
| Provision for the year | 346 | 1,211 |
| Decreases | | |
| Use during the year | (1,860) | (2,725) |
| Ending balance | 2,703 | 4,217 |

The provision refers to the non-competition agreement signed by the managers of the Company which, in accordance with IAS 19, was determined on the basis of an actuarial calculation performed by an external specialized company.

***Section 12 - Equity - Items 120, 130, 140 and 150***
*Euros 161,769*

***12.1 Composition of item 120 "Share capital"***
*Euros 130,900*

| Types | Amount |
|---|---|
| 1. Share capital | |
| 1.1 Ordinary shares | 130,900 |
| 1.2 Other shares (to specify) | |

The shareholders, in the special shareholders' meeting held on April 20, 2011, passed a resolution for a bonus increase in share capital from Euros 105,400 to Euros 110,500, drawing from "Retained earnings".
The shareholders, in the special shareholders' meeting held on November 29, 2011, passed a resolution for a bonus increase in share capital from Euros 110,500 to Euros 130,900 by drawing from the available valuation reserves recorded in the financial statements.
At December 31, 2011, share capital consists of 1,700,000 ordinary shares of par value Euros 77.00 each, for a total of Euros 130,900.

*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.

| | | | | Summary of utilization in the last three years | |
|---|---|---|---|---|---|
| | 12.31.2011 | Possibility of utilization (a) | Amount available | For absorption of losses | For absorption of losses |
| Share capital | 130,900 | | | | |
| Reserves | 27,046 | | | | |
| *- Legal reserve* | 14,212 | B | | | |
| *- Extraordinary reserve* | 88 | A,B,C | 88 | | |
| *- Retained earnings* | 12,746 | A,B,C | 12,746 | | (*) 20,400 |
| Valuation reserves | 3,823 | | | | |
| *- Other* | 3,823 | A,B,C | 3,823 | | |
| Total Share capital and Reserves | 161,769 | | 16,657 | | 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" was used to increase share capital, which increased 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 | 11,549 | 9,748 | 88 | 21,385 |
| B. Increases | | | | |
| B.1 Appropriation of profit | 2,663 | 8,098 | | 10,761 |
| B.2 Other changes | | | | |
| C. Decreases | | | | |
| C.1 Use for the year | | | | |
| - absorption of losses | | | | |
| - distribution | | | | |
| - transfer to share capital | | (5,100) | | (5,100) |
| C.2 Other changes | | | | |
| D. Ending balance | 14,212 | 12,746 | 88 | 27,046 |

**Legal reserve**

The increase in the legal reserve of Euros 2,663 compared to the prior year is due to the appropriation of the profit for the year ended December 31, 2010, as approved by the ordinary shareholders' meeting held on April 20, 2011.

**Retained earnings**

The increase in retained earnings of Euros 8,098, compared to the prior year, is due to the appropriation of the profit for the year ended December 31, 2010, as approved by the ordinary shareholders' meeting of April 20, 2011.
The subsequent decrease of Euros 5,100 refers to the appropriation to increase share capital from Euros 105,400 to Euros 110,500 by drawing from "Retained earnings", as approved by the special shareholders' meeting held on April 20, 2011.

**Valuation reserves**

The balance of the "Valuation reserves" is Euros 3,823 compared to Euros 24,223 at December 31, 2010. The decrease of Euros 20,400 refers to the amount drawn from these reserves for the bonus share capital increase from Euros 110,500 to Euros 130,900, as approved by the special shareholders' meeting held on November 29, 2011.

## Part C - Income Statement

All amounts are expressed in thousands of euros.

***Section 1 - Interest - Items 10 and 20***

*1.1 Composition of item 10 "Interest and similar income"*
*Euros 124,860*

| Items / Technical forms | Debt securities | Financing | Other transactions | Total 12.31.2011 | Totale 12.31.2010 |
|---|---|---|---|---|---|
| 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 | | | 936 | 936 | 512 |
| 5.2 Due from financial institutions | | | 0 | | 28 |
| 5.3 Due from customers | | 66,689 | 57,235 | 123,924 | 129,849 |
| 6. Other assets | | | 0 | 0 | 0 |
| 7. Hedging derivatives | | | | | |
| Total | | 66,689 | 58,171 | 124,860 | 130,389 |

There was no interest recognized during the year on positions that are classified as "impaired" at December 31, 2011.

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

Interest "Due from customers" for financing totals Euros 66,689 and consists largely 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 57,209 of interest on late payments collected during the year, in line with the figure in the prior year.

*1.3 Composition of item 20 "Interest and similar charges"*
*Euros 56,112*

| Items / Technical forms | Financing | Securities | Other | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|---|---|---|
| 1. Due to banks | 42,267 | | 3,103 | 45,370 | 34,864 |
| 2. Due to financial institutions | 1,782 | | 7,037 | 8,819 | 4,599 |
| 3. Due to customers | | | 313 | 313 | 114 |
| 4. Securities outstanding | | | | | |
| 5. Financial liabilities held for trading | | | 1,610 | 1,610 | 6,201 |
| 6. Financial liabilities at fair value through profit or loss | | | | | |
| 7. Other liabilities | | | 0 | 0 | 0 |
| 8. Hedging derivatives | | | | | |
| Total | 44,049 | | 12,063 | 56,112 | 45,778 |

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 Composition of item 30 "Fee and commission income"*
*Euros 11,578*

| Details | Total 12.31.2011 | Totale 12.31.2010 |
|---|---|---|
| 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 | | |
| - other | | |
| 7. Collection and payment services | 11,578 | 11,720 |
| 8. Securitization servicing | | |
| 9. Other fees and commissions (to specify) | | |
| Total | 11,578 | 11,720 |

"Collection and payment services" include sub-servicing fees and commissions for Euros 30 in 2011 and Euros 38 in 2010.

*2.2 Composition of item 40 "Fee and commission charges"*
*Euros 356*

| Details / Sectors | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| 1. Guarantees received | | |
| 2. Distribution of services by third parties | | |
| 3. Collection and payment services | | |
| 4. Other commissions (to specify): | | |
| - bank current account charges | 193 | 183 |
| - commissions for bank current account funds availability | 133 | 24 |
| - other banking expenses | 30 | 27 |
| Total | 356 | 234 |

***Section 4 - Gains/losses on trading - Item 60***

*4.1 Composition of item 60 "Gains/losses on trading"*
*Euros (52)*

| Items / Income components | Gains | Gains on trading | Losses | Losses on trading | Net result |
|---|---|---|---|---|---|
| 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 | | | | (52) | (52) |
| 5. Credit derivatives | | | | | |
| Total | | 0 | | (52) | (52) |

*Fair value changes in derivatives*

| Items | Carrying amount | Change |
|---|---|---|
| Financial assets held for trading | | |
| Amount at December 31, 2010 | 808 | |
| Amount at December 31, 2011 | 323 | (485) |
| Financial liabilities held for trading | | |
| Amount at December 31, 2010 | 1,279 | |
| Amount at December 31, 2011 | 846 | 433 |
| Gains/losses on trading | | (52) |

**_Section 8 - Impairment losses/reversals - Item 100_**
*Euros (807)*

*8.1 "Impairment losses/reversals on receivables"*
*Euros (811)*

| Items / Impairment losses / reversals | Impairment losses | | Impairment reversals | | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|---|---|---|---|
| | 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 | 181 | | (992) | | (811) | (2,096) |
| - for consumer credit | | | | | | |
| - other | | | | | | |
| Total | 181 | | (992) | | (811) | (2,096) |

*8.2 "Impairment losses/reversals on available-for-sale financial assets"*
*Euros 4*

| Items / Impairment losses / reversals | Impairment losses | Impairment reversals | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|---|---|
| 1. Debt securities | | | | |
| 2. Equity securities and units in investment funds | 4 | | 4 | |
| 3. Financing | | | | |
| Total | 4 | | 4 | |

***Section 9 - Administrative expenses - Item 110***
*Euros 22,201*

***9.1 Composition of item 110.a "Personnel costs"***
*Euros 8,398*

| Items / Sectors | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| 1. Employees | | |
| a) wages and salaries | 4,908 | 5,104 |
| b) social security charges | 1,541 | 1,630 |
| c) employee severance indemnity charges | | |
| d) pension charges | | |
| e) provision for employee severance indemnity | 260 | 217 |
| f) provision for pension and similar obligations | | |
| - defined contribution | | |
| - defined benefit | | |
| g) payments to supplementary external pension funds | | |
| - defined contribution | 64 | 61 |
| - defined benefit | | |
| h) other expenses | 627 | 527 |
| 2. Other employees in service | 273 | 526 |
| 3. Directors and statutory auditors | 723 | 965 |
| 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 | 8,398 | 9,030 |

***9.2 Average number of employees by category***

number

| Category | Average number 2011 | Average number 2010 |
|---|---|---|
| Managers | 5 | 6 |
| Supervisors | 28 | 22 |
| Remaining staff | 62 | 53 |
| Total | 95 | 81 |

*9.3 Composition of item 110.b "Other administrative expenses"*
*Euros 13,803*

| Details | Total 12.31.2011 | Total 12.31.2010 |
| --- | --- | --- |
| Legal fees | 3,289 | 2,616 |
| Data processing costs | 558 | 505 |
| External receivables management services | 881 | 849 |
| Compensation to Supervisory Board | 83 | 97 |
| Legal fees for receivables under management | 935 | 1,143 |
| Notary fees | 483 | 490 |
| Notary fees to be recovered | 110 | 34 |
| Corporate hospitality and donations | 763 | 725 |
| Maintenance expenses | 781 | 751 |
| Non-deductible VAT | 1,453 | 1,551 |
| Other indirect taxes and duties | 91 | 92 |
| Consulting fees | 2,295 | 3,197 |
| Office operating expenses | 548 | 688 |
| Other expenses | 1,533 | 1,584 |
| Total | 13,803 | 14,322 |

This item includes legal fees of Euros 935 and notary fees of Euros 110 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 2011 mainly include the following.

| Details | Total 12.31.2011 |
| --- | --- |
| Audit fees (external firm) | 121 |
| Internal audit fees (external firm) | 84 |
| Data processing fees (external firms) | 609 |
| Collection fees (external firms) | 881 |
| Organization fees (external firms) | 45 |

### *Section 10 – Impairment losses/reversals on property, plant and equipment – Item 120*

*10.1 Composition of item 120 "Impairment losses/reversals on property, plant*
*Euros 1,373*

| Items / Impairment losses /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 | 484 | | | 484 |
| c) furniture and fixtures | 72 | | | 72 |
| d) used in the business | 654 | | | 654 |
| e) other | 162 | | | 162 |
| 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 | 1,373 | | | 1,373 |

### *Section 11 – Impairment losses/reversals on intangible assets – Item 130*

*11.1 Composition of item 130 "Impairment losses/reversals on intangible assets"*
*Euros 430*

| Items / Impairment losses /reversals | Amortization (a) | Impairment losses (b) | Impairment reversals (c) | Net result (a+b-c) |
|---|---|---|---|---|
| 1. Goodwill | | | | |
| 2. Other intangible assets | | | | |
| 2.1 owned | 430 | | | 430 |
| 2.2 purchased under finance leases | | | | |
| 3. Assets purchased under finance leases | | | | |
| 4. Assets under operating leases | | | | |
| Total | 430 | | | 430 |

***Section 13 - Net provisions for risks and charges - Item 150***
*Euros (786)*

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

| Details | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| Provision for pension funds and similar obligations | 18 | 346 |
| Other provisions | (804) | 865 |
| Total | (786) | 1,211 |

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

The reduction of Euros 800 for a writeback in "Other provision" derives from the settlement agreement in the bankruptcy of the company Enterprise Digital Architects S.p.A. This agreement, in fact, provides for the exclusion of the clawback risk.

***Section 14 - Other operating income/expenses - Item 160***
*Euros 3,763*

***14.1 Composition of item 160 "Other operating income/expenses"***

| Details | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| 1. Operating income | | |
| - Recovery of legal fees for purchases of non-recourse receivables | 675 | 1,205 |
| - Recovery of legal fees for credit management of receivables | 935 | 1,143 |
| - Receivables realized at other than face value | 1,344 | 196 |
| - Prior year items | 516 | 917 |
| - Recovery of notary expenses from assignors | 110 | 34 |
| - Royalties Farmafactoring Espana S.A. | 200 | 0 |
| - Other income | 288 | 129 |
| Total (1) | 4,068 | 3,624 |
| 2. Operating expenses | | |
| - Prior period items | (239) | (405) |
| - Rounding and rebates | (65) | (74) |
| - Other expenses | (1) | 0 |
| Total (2) | (305) | (479) |
| Total (1+2) | 3,763 | 3,145 |

***Section 17 - Income taxes on profit from continuing operations - Item 190***
*Euros 21,070*

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

| | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| 1. Current income taxes | 20,009 | 26,200 |
| 2. Adjustment to current income taxes of prior years | | |
| 3. Reduction in current income taxes for the year | | |
| 4. Changes in deferred tax assets | 1,105 | 1,063 |
| 5. Changes in deferred tax liabilities | (44) | (155) |
| Income taxes for the year | 21,070 | 27,108 |

***17.2 Reconciliation of theoretical tax and effective tax charge***

| Details | IRES | IRAP |
|---|---|---|
| Taxable profit used for tax calculations | 61,270 | 64,731 |
| Theoretical tax charge 27.50% IRES – 4.82% IRAP | 16,849 | 3,606 |
| Non-deductible permanent differences | 2,486 | 2,248 |
| Deductible IRAP quota | (486) | |
| Temporary differences deductible in future years | 517 | |
| Reversal of temporary differences referring to future years | (4,223) | (1,832) |
| Taxable profit | 59,564 | 65,148 |
| Current income taxes for the year: 27.50% IRES – 5.57% IRAP | 16,380 | 3,629 |

## 19 - Income statement: Other information

### 19.1 Analytical composition of interest income and fee and commission income

*Euros 136,438*

| Items / Counterparty | Interest income – Banks | Interest income – Financial institut. | Interest income – Custom. | Fee and commission income – Banks | Fee and commission income – Financial institut. | Fee and commission income – Custom. | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|---|---|---|---|---|---|
| 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 | | | 65,245 | | | | 65,245 | 69,263 |
| - on receivables purchased below original amount | | | | | | | | |
| - for other financing | 936 | 0 | 58,679 | | 1,461 | 10,117 | 71,193 | 72,846 |
| 3. Consumer credit | | | | | | | | |
| - personal loans | | | | | | | | |
| - specific loans | | | | | | | | |
| - garnishing of one-fifth | | | | | | | | |
| 4. Guarantees and commitments | | | | | | | | |
| - commercial nature | | | | | | | | |
| - financial nature | | | | | | | | |
| Total | 936 | 0 | 123,924 | | 1,461 | 10,117 | 136,438 | 142,109 |

"Interest income from customers for factoring on non-recourse receivables purchased" amounts to Euros 65,245 and consists of fees and commissions charged to assignors.
"Interest income from customers for factoring for other financing" amounts to Euros 58,679 and includes late interest collected during the year for Euros 57,209.
"Fee and commission income from customers for factoring for other financing" amounts to Euros 10,117 and refers to activities for the management of receivables.

## Part D - Other information

All amounts are expressed in thousands of euros, unless otherwise indicated.

***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 12.31.2011 | | | Total 12.31.2010 | | |
|---|---|---|---|---|---|---|
| | 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 | 179 | | 179 | 499 | | 499 |
| - exposures with assigned debtors (non-recourse) | 1,510,337 | | 1,510,337 | 1,565,775 | | 1,565,775 |
| 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 | 6 | | 6 | 1,205 | (1,205) | 0 |
| - other | 17,008 | (5,018) | 11,990 | 7,008 | (6,920) | 88 |
| 2.2 Doubtful | | | | | | |
| - exposures with assignors (with recourse): | | | | | | |
| - sale of future receivables | | | | | | |
| - other | | | | | | |
| - exposures with assigned debtors (non-recourse): | | | | | | |
| - purchases below face value | 0 | | 0 | 1 | | 1 |
| - other | 842 | | 842 | 581 | | 581 |
| 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 | 235 | 0 | 235 | 251 | | 251 |
| - other | 5,575 | 0 | 5,575 | 3,197 | | 3,197 |
| Total | 1,534,182 | (5,018) | 1,529,164 | 1,578,517 | (8,125) | 1,570,392 |

• The "Other exposures with assignors (with recourse)" under "Performing assets" refer to receivables from assignors for advances on with recourse receivables for Euros 179.
• The "Other exposures with assigned debtors (non-recourse)" under "Performing assets" refer to receivables from assigned debtors for Euros 1,510,337. In this item, there are no "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, 2011, net of writedowns, is equal to Euros 241.
At December 31, 2011, the realizable value of receivables purchased below face value is equal to Euros 1,344

*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, 2011 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, 2011, the total of past due receivables amounts to Euros 5,810.

*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, 2011, 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 reasonable period of time.
Doubtful receivables also include so-called "objective" doubtful receivables.
At December 31, 2011, the total of doubtful receivables is Euros 842.

*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, 2011, the total of non-performing receivables, net of writedowns due to estimated impairment losses, amounts to Euros 11,996.
Compared to the prior year, the net exposure to non-performing receivables increased by about Euros 12 million for the amount due from the debtor Fondazione San Raffaele del Monte Tabor. After an agreement was recognized by the composition of creditors, approved by the meeting of creditors on March 19, 2012, for the principal as well as the late interest, which was nevertheless completely written down, the Company decided not to make any provision since the total of the collections deriving from the agreement are in line with the outstanding amount of principal.

### *B.2 - Residual life (repricing date) of exposures and "outstanding"*

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

| | Advances | | Outstanding | |
|---|---|---|---|---|
| Time frame | 12.31.2011 | 12.31.2010 | 12.31.2011 | 12.31.2010 |
| - on demand | 179 | 499 | 835 | 1,263 |
| - to 3 months | | | | |
| - 3 to 6 months | | | | |
| - 6 months to 1 year | | | | |
| - after 1 year | | | | |
| - unspecified maturity | | | | |
| Total | 179 | 499 | 835 | 1,263 |

*B.2.2 - Non-recourse factoring transactions: exposure*

| Time frame | Exposure | |
|---|---|---|
| | 12.31.2011 | 12.31.2010 |
| - on demand | 215,348 | |
| - to 3 months | 12,945 | 17,081 |
| - 3 to 6 months | 24,894 | 14,984 |
| - 6 months to 1 year | 111,708 | 100,592 |
| - after 1 year | 1,164,090 | 1,205,550 |
| - unspecified maturity | | 231,686 |
| Total | 1,528,985 | 1,569,893 |

For past due and impaired exposures the Company used the new classification criteria for residual life introduced 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"* which resulted in the following reclassifications:

• past-due not impaired receivables, previously classified under "unspecified maturity" have been reclassified to "on demand";

• past-due impaired receivables, reported under "unspecified maturity" until December 31, 2010 have been reclassified to the appropriate bracket of residual life according to estimates of the recovery of the underlying cash flows.

*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 | | | | | | | | | |
| - Non-performing | 585 | | | | | | (585) | | 0 |
| - Doubtful | | | | | | | | | |
| - Restructured | | | | | | | | | |
| - Past due | | | | | | | | | |
| Exposure with assigned debtors | | | | | | | | | |
| - Non-performing | 8,124 | 18 | | | (992) | | (2,132) | | 5,018 |
| - Doubtful | | | | | | | | | |
| - Restructured | | | | | | | | | |
| - Past due | | | | | | | | | |
| On the portfolio of other assets | | | | | | | | | |
| - Exposure with assignors | | | | | | | | | |
| - Exposure with assigned debtors | | | | | | | | | |
| Total | 8,709 | 18 | | | (992) | | (2,717) | | 5,018 |

***B.4 - Other information***

*B.4.1 - Turnover of receivables under factoring transactions*

in millions of euros

| Items | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| 1. Non-recourse transactions | 2,050 | 2,147 |
| - of which: purchases below face value | 0 | 0 |
| 2. With recourse transactions | | |
| Total | 2,050 | 2,147 |

*B.4.2 - Collection services*

in millions of euros

| Items | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| Receivables referring to credit collection services during the year | 2,520 | 2,458 |
| Amount of receivables outstanding at the end of the reporting year | 2,847 | 2,489 |

***Section 2 – Asset securitization and sales transactions***

This section presents "qualitative" and "quantitative" information on the transactions for the securitization and the sales of assets put in place by the Company.

**Information on the transactions with "Justine Capital S.r.l."**

QUALITATIVE INFORMATION

***Strategies, processes and objectives***
No transactions for the sale of receivables to the vehicle company Justine Capital S.r.l. (Issuer) were recorded during the year to December 31, 2011.
Such transactions carried out in prior years were considered as normal sales of receivables activities through the vehicle company, Justine Capital S.r.l., which directly and independently structured a securitization transaction.
The securitization transaction is winding down and no further sales transactions will be put in place.
The most important characteristics of the transactions are as follows:

***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 the vehicle, except for the activities relating to its mandate for collection.
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***
For those transactions carried out in prior years, a put option was written 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 certain, liquid and collectible. In that case, Farmafactoring will have the possibility of transferring it back in turn to the original assignor.

QUANTITATIVE INFORMATION

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

***Sub-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, 2011, the Company managed an outstanding equal to about Euros 50 million.

**Information on the transactions with "Deutsche Bank"**

QUALITATIVE INFORMATION

***Strategies, processes and objectives***
In the first quarter of 2011, the Company put in place with Deutsche Bank a transaction for the non-recourse sale of receivables due from ASLs and AOs of the Campania Region in order to diversify funding activities.
Such receivables were the subject of a settlement agreement signed by the Company and conforming to resolution 541/09 passed by the Campania Region Council.
This sale was concluded on February 15, 2011 after signing a sales contract for an amount of about Euros 7.8 million and a lump-sum amount of about Euros 0.4 million. The payment took place in the same month after acceptance on the part of the assigned ASLs and AOs.
During the first quarter, an amount of about Euros 5.5 million was also collected on the sale of receivables put in place on August 3, 2010.

In July 2011, the Company, signed, on its behalf and on behalf of customer companies, an agreement with the Lazio Region which provides for undersigning contracts between Farmafactoring S.p.A. and the ASLs of the Lazio Region for all the receivables issued from January 1, 2009 to June 30, 2010.
In August 2011, the Company transferred to Deutsche Bank some tranches of the non-recourse receivables referring to this agreement in order to bring forward the collections. As a result of this sale, Deutsche Bank made a payment of certified receivables for about Euros 105 million.

***Description of the risk profile***
This transaction is considered as a normal sale of receivables activity carried out with Deutsche Bank. Farmafactoring, after have sold the non-recourse receivables, has no involvement in the collection or credit management activities.
The transaction does not provide for any credit enhancement mechanism, therefore, all the risks and rewards of the transaction have been transferred to the assignee.

QUANTITATIVE INFORMATION

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

**Information on the transactions with "Banca IMI and WestLB": FF Finance S.r.l.**

QUALITATIVE INFORMATION

***Strategies, processes and objectives***
During the second half of 2011 the Company finalized a securitization transaction with Banca IMI and WestLB; this is a 36-month transaction maturing in June 2014 and refers to the sale of non-recourse receivables due from ASLs and AOs, in order to diversify funding activities.

***Characteristics of the transaction***
The receivables were sold to a vehicle company under ex Law 130/99, FF Finance S.r.l., which financed the purchase by issuing securities for Euros 200 million, subscribed to in equal and full amounts by Duomo, a SPV owned by Banca IMI, and Compass, a SPV owned by WestLB, during the months of June and July 2011.
On June 20, and 23, 2011, the first sale of Euros 134 million was made and the contracts were signed; during the rest of the year further sales were made for a total of Euros 326 million.
During the first 30 months of the transaction, revolving sales will be made against collections on the receivables in order to maintain the collateralization ratio established in the contracts.
At the end of the 30 months, there will be a 6-month amortization period in which there will be no new sales.

***Description of the risk profile***
Farmafactoring, as the originator, although having sold the non-recourse receivables, is involved in the securitization transaction.
The transaction provides for a credit enhancement mechanism through an overcollateralization percentage (equal to 125% of the amount of the securities issued) and the subordinated loan carried by Farmafactoring.
The vehicle, through the exercise of a put option, also has the option of transferring any outstanding receivables back to Farmafactoring in the 36th month.
Considering the above, all the risks and rewards of the transaction were not transferred to the assignee but remain with Farmafactoring.

QUANTITATIVE INFORMATION

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

***Sub-servicer activity***
Farmafactoring, having the mandate for collection, recovers and collects the receivables on behalf of the servicer Zenith S.p.A.
Concerning all the sales of receivables made to FF Finance S.r.l., at December 31, 2011, the Company managed an outstanding amount of about Euros 254.2 million.

**Information on the "Agreement with Ifitalia for the non-recourse sale of receivables"**

QUALITATIVE INFORMATION

***Strategies, processes and objectives***
During the year, Farmafactoring sold non-recourse receivables to the company International Factor Italia S.p.A. - IFITALIA due from ASLs and AOs for a total of Euros 70.2 million.
In the two months prior to maturity, currently set for the end of June 2012, the duration of the contract may be extended, by mutual agreement of the parties.
The transaction is aimed at diversifying the sources of funding.

***Description of the risk profile***
The transaction is considered as a normal sale of receivables activity.
There is no credit enhancement mechanism envisaged, therefore, all the risks and rewards of the transaction have been transferred to the assignee.

QUANTITATIVE INFORMATION

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

***Servicer activity***
Farmafactoring continues to carry out the management, administration, collection and recovery activities regarding the receivables sold.

***Section 3 - Information on risks and related risk management policies***

SECTION 3.1 – CREDIT RISK

QUALITATIVE INFORMATION

**1. General**
Factoring activities, disciplined 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 with 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: from the degree of fragmentation of risk to the characteristics of the trade transaction underlying the credit quality, from the reimbursement capability of the customer assignor to 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 coordinate with meticulous synergy in order to provide an analytical and subjective assessment of the counterparties, 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***
Since 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 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.
Following the downgrade of Italy's rating on October 4, 2011, the weighting of the "public sector entities" went from 20% to 50% while that of "Central administrations and central banks" remained the same at 0% thanks to the use of the "preferential weighting factor" applicable in the event the corresponding funding is denominated in the same currency.
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, 2011 is equal to Euros 49,946.

Moreover, as already mentioned, 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
• with recourse factoring

Under "receivables management only", the credit risk is very limited because it is limited to the Company's exposure with the customer for the payment of the agreed fees and commissions or the reimbursement of legal fees incurred. 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 greater than 15% of 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 is not being 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, 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 – 14th update of April 29, 2011 "Central Risk Bureau. Instructions for Credit Intermediaries") providing information on the financial debt of the debtor over the course of time and on the agreed/utilized ratio (which expresses the financial commitment of the Company and the debt margins 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 indication of impairment 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, the Company carried out a collective assessment of performing receivables to monitor the quantitative content. Such analysis was carried out on the receivables portfolio and produced results in line with previous 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 11,996.

***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***
In impaired financial assets the Company includes 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*, and relative to the sum of:
- Non-performing, for a net amount of Euros 11,996;
- Doubtful, for an amount of Euros 842;
- Restructured exposures, not applicable;
- Past due exposures, for an amount of Euros 5,810;

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"*.

The amount of Euros 11,996 in the non-performing category refers to the debtor Fondazione San Raffaele del Monte Tabor. After an agreement was recognized by the composition of creditors, approved by the meeting of creditors on March 19, 2012, for the principal as well as the late interest, which was nevertheless completely written down, the Company decided not to make any provision since the total of the collections deriving from the agreement are in line with the outstanding amount of principal.
The other non-performing receivables have been completely written down by an adjusting provision account so that their net amount at December 31, 2011 is nil.

"Impaired assets" include exposures with assigned debtors for purchases below face value for a net carrying amount of Euros 241.
At December 31, 2011, the realizable value of such receivables is equal to Euros 1,344.

Unlike the considerations made for "Impaired assets", the valuation of performing receivables, equal to Euros 1,517,168, includes those receivables due from customers 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 exposures analyzed by portfolio and credit quality**

| Portfolio / Quality | Non-performing | Doubtful | Restructured exposures | Past due exposures | Other assets | Total |
|---|---|---|---|---|---|---|
| 1. Financial assets held for trading | | | | | 323 | 323 |
| 2. Financial assets measured at fair value | | | | | | |
| 3. Available-for-sale financial assets | | | | | | |
| 4. Held-to-maturity financial assets | | | | | | |
| 5. Due from banks | | | | | 68,328 | 68,328 |
| 6. Due from financial institutions | | | | | 1,226 | 1,226 |
| 7. Due from customers | 11,996 | 842 | | 5,810 | 1,521,342 | 1,539,990 |
| 8. Hedging derivatives | | | | | | |
| Total 12.31.2011 | 11,996 | 842 | | 5,810 | 1,591,219 | 1,609,867 |
| Total 12.31.2010 | 88 | 582 | | 3,448 | 1,659,383 | 1,663,501 |

## 2. Credit exposures

*2.1 Credit exposures with customers: gross and net amounts*

| Exposure types / Amounts | Gross exposure | Specific impairment losses | Portfolio impairment losses | Net exposure |
|---|---|---|---|---|
| A. Impaired assets | | | | |
| **Balance sheet exposures:** | | | | |
| - Non-performing | 17,014 | (5,018) | | 11,996 |
| - Doubtful | 842 | | | 842 |
| - Restructured exposures | | | | |
| - Past due exposures | 5,810 | | | 5,810 |
| **Off-balance sheet exposures:** | | | | |
| - Non-performing | | | | |
| - Doubtful | | | | |
| - Restructured exposures | | | | |
| - Past due exposures | | | | |
| Total A | 23,666 | (5,018) | | 18,648 |
| B. Performing exposures: | | | | |
| - Past due exposures not impaired | | | | |
| - Other exposures | 1,521,342 | | | 1,521,342 |
| Total B | 1,521,342 | | | 1,521,342 |
| Total (A+B) | 1,545,008 | (5,018) | | 1,539,990 |

In “Performing exposures”, there are no “past due not impaired” exposures.
“Performing exposures” do not refer to exposures subject to renegotiation under collective Agreements, but to other exposures.

These include:
- Euros 1,510,337, referring to Non-recourse exposures”;
- Euros 179, referring to “With recourse exposures”;
- Euros 10,826, 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, and the loan made to the subsidiary Farmafactoring España S.A for Euros 5,000.

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 | | | | | |
| | Current | to 3 months | 3 to 6 months | 6 months to 1 year | over 1 year | | |
| Exposure with central administrations and central banks | 3,403 | | | | | | 3,403 |
| Exposure with territorial entities | 198 | 8 | | | 2,813 | | 3,019 |
| Exposure with non-profit entities and public sector entities | 1,291,670 | 13,152 | 22,533 | 10,352 | 166,018 | | 1,503,725 |
| Exposure with companies | 187 | 3 | | | | | 190 |
| Total | 1,295,458 | 13,163 | 22,533 | 10,352 | 168,831 | | 1,510,337 |

| With recourse exposures | Aging | | | | | Total |
|---|---|---|---|---|---|---|
| | | Past due assets | | | | |
| | Current | 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 | 179 | | | | | 179 |
| Total | 179 | | | | | 179 |

| Other exposures with customers | Aging | | | | | Total |
|---|---|---|---|---|---|---|
| | | Past due assets | | | | |
| | Current | 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 | 50 | | | | | 50 |
| Exposure with companies | 10,776 | | | | | 10,776 |
| Total | 10,826 | | | | | 10,826 |

*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 | | | | |
| **Balance sheet 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 not impaired | | | | |
| - Other receivables | 69,554 | | | 69,554 |
| Total B | 69,554 | | | 69,554 |
| Total (A+B) | 69,554 | | | 69,554 |

*2.3 Classification of exposures according to external and internal ratings*

2.3.1 Distribution of on- and off-balance sheet credit exposure

| Exposure | External rating classes | | | | | | Unrated | Total |
|---|---|---|---|---|---|---|---|---|
| | Class 1 | Class 2 | Class 3 | Class 4 | Class 5 | Class 6 | | |
| A. Balance sheet exposures | | 1,583,338 | | | | | 26,552 | 1,609,890 |
| B. Derivatives | | | | | | | | |
| B.1 Financial derivatives | | | | | | | | |
| B.2 Credit derivatives | | | | | | | | |
| C. Guarantees provided | | | | | | | | |
| D. Commitments to disburse funds | | | | | | | | |
| Total | | 1,583,338 | | | | | 26,552 | 1,609,890 |

In order to assign a creditworthiness rating to the debtors, the Company utilized the ratings compiled by Moody's (the reference ECAI). A reconciliation between the risk classes and the ratings by Moody's are as follows:

| Rating class | ECAI Moody's |
|---|---|
| 1 | Aaa to Aa3 |
| 2 | A1 to A3 |
| 3 | Baa1to Baa3 |
| 4 | Ba1 to Ba3 |
| 5 | B1 to B3 |
| 6 | Caa1 and below |

**3. Concentration of credit**

*3.1 Distribution of financing to customers 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 | 1,513,111 | (5,018) | 1,508,093 | 928 | | 928 |
| - with recourse | | | | 179 | | 179 |
| Total | 1,513,111 | (5,018) | 1,508,093 | 1,107 | | 1,107 |

| 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 | 19,948 | | 19,948 | 16 | | 16 |
| - with recourse | | | | | | |
| Total | 19,948 | | 19,948 | 16 | | 16 |

| Exposure types / Amounts | Total | | |
|---|---|---|---|
| | Gross exposure | Impairment losses | Net exposure |
| Financing extended: | | | |
| - non-recourse | 1,534,003 | (5,018) | 1,528,985 |
| - with recourse | 179 | | 179 |
| Total | 1,534,182 | (5,018) | 1,529,164 |

The data reported in the above tables refer to the financing extended by the Company, outstanding at December 31, 2011, divided by economic business segment of the counterparty.

*3.2 Distribuzione dei finanziamenti verso clientela per area geografica della controparte*

| Exposure types / Amounts | Italy | | | | | |
|---|---|---|---|---|---|---|
| | Northwest | | | Northeast | | |
| | Gross exposure | Impairment losses | Net exposure | Gross exposure | Impairment losses | Net exposure |
| Financing extended: | | | | | | |
| - non-recourse | 211,116 | (3,331) | 207,785 | 278,922 | (262) | 278,660 |
| - with recourse | | | | | | |
| Total | 211,116 | (3,331) | 207,785 | 278,922 | (262) | 278,660 |

| Exposure types / Amounts | Italy | | | | | |
|---|---|---|---|---|---|---|
| | Central | | | South | | |
| | Gross exposure | Impairment losses | Net exposure | Gross exposure | Impairment losses | Net exposure |
| Financing extended: | | | | | | |
| - non-recourse | 458,656 | (654) | 458,002 | 425,545 | (737) | 424,808 |
| - with recourse | 179 | | 179 | | | |
| Total | 458,835 | (654) | 458,181 | 425,545 | (737) | 424,808 |

| 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 | 159,749 | (34) | 159,715 | 16 | | 16 |
| - with recourse | | | | | | |
| Total | 159,749 | (34) | 159,715 | 16 | | 16 |

| Exposure types / Amounts | Total | | |
|---|---|---|---|
| | Gross exposure | Impairment losses | Net exposure |
| Financing extended: | | | |
| - non-recourse | 1,534,003 | (5,018) | 1,528,985 |
| - with recourse | 179 | | 179 |
| Total | 1,534,182 | (5,018) | 1,529,164 |

The data reported in the above tables refer to the financing extended by the Company, outstanding at December 31, 2011, divided by geographic area of the counterparty.

*3.3 Large exposures*

There are no large exposures, that is, risk positions of an amount equal to or greater than 15% of regulatory capital.

SECTION 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 market interest rates which may generate adverse 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 variable rates.
The exposure is given by the amount of financing subject to this risk.

***Use of derivative instruments***
The amount of derivative instruments for hedging purposes is consequently decided for non-recourse purchases by considering: the exposure of the 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, 2011, the balance of derivative hedging transactions is equal to Euros 319 million.

***Outstanding contracts***

in euros

| | *Underlyings* Interest rates and debt securities | | | |
|---|---|---|---|---|
| | | Fair value at 12.31.2011 | | |
| Transaction types | Notional amount | Positive | Negative | Residual life |
| *IRS plain vanilla, FWD start* | *319,000,000* | | *(522,894)* | *368* |
| *Partial total* | | | (522,894) | |
| Total | 319,000,000 | | (522,894) | 368 |

*Hedging strategies*
Hedging strategies follow the trend of the rates and expectations expressed by the market.
At December 31, 2011, the fair value of hedging instruments is negative for an amount of Euros 523, 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 the sum of the discounted flows using the established 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.

This result, for the most part, is due to the flattening of the curve of the base rates compared to those in effect when the hedging instruments were put in place. It should be noted that there is a slight worsening compared to December 31, 2010 (the fair value of the hedging instruments was a negative Euros 471 compared to a negative Euros 523 at December 31, 2011, with a negative impact on the income statement of Euros 52) whereas there is a confirmation of the full correlation with the rates implicit in the lending transactions carried out during the same period.

QUANTITATIVE INFORMATION

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

| Item/Residual life | on demand | to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 5 years | 5 to 10 years | after 10 years | unspecified maturity | Total |
|---|---|---|---|---|---|---|---|---|---|
| 1. Assets | | | | | | | | | |
| 1.1 Debt securities | | | | | | | | | |
| 1.2 Receivables | 286,208 | 21,418 | 24,894 | 111,708 | 1,152,669 | 12,647 | | | **1,609,544** |
| 1.3 Other assets | | 323 | | | | | | 6,317 | **6,640** |
| 2. Liabilities | | | | | | | | | |
| 2.1 Payables | 458,535 | 937,566 | 17,000 | | | | | | **1,413,101** |
| 2.2 Debt securities | | | | | | | | | |
| 2.3 Other liabilities | | 846 | | | | | | | **846** |
| 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 26% 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 provide in part for the possibility of drawing down revolving lines with drawdowns between one week and six months renewable each time until the expiry of the contract.

**2. Models and other methods for measuring and managing interest rate risk**
The Company, in accordance with Bank of Italy's regulation for prudential supervision, wrote a Treasury and Finance Regulation which fully regulates, continuously, 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 **finance 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 INFORMATION

**1. Models and other methods for measuring and managing 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 INFORMATION

**2. Models and other methods for measuring and managing exchange rate risk**
The Treasury and Finance Regulation of February 23, 2004, as updated, 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 methods of measuring operational risk**
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 for the last three years (calculated annually at the end of each year).

QUANTITATIVE INFORMATION

On the basis of the above method, the capital requirement for operational risk at December 31, 2011 is therefore equal to Euros 13,483.

SECTION 3.4 - LIQUIDITY

QUALITATIVE INFORMATION

**1. General aspects, operational processes and methods for measuring liquidity risk**
Liquidity may be manifested through the following risk components:
• Liquidity Mismatch Risk: is the risk based on the mismatch between contractual amounts and dates for inflows and outflows.

• Liquidity Contingency Risk: is the risk that future unexpected events may require a materially larger amount of liquidity than the business currently requires in a scenario as a normal going concern. This risk may be generated by events such as failure to renew loans, the need to finance new activities, the difficulty in disposing of liquid assets or obtaining new loans in the event of a liquidity crisis.
• Market Liquidity Risk: is the risk that the Company may incur losses to liquidate assets that would be considered liquid under normal market conditions and is forced to keep them in the absence of the market.
• Operational Liquidity Risk: is the risk that the Company may be unable to fulfill its payment obligations due to errors, violations, interruptions or damages due to internal processes, persons or external events, while remaining solvent.
• Funding risk: is the risk that the Company may incur a loss due to the inability to draw from sources of financing at an economical cost to meet its obligations and/or the possible increase in the costs of funding due to a change in rating (internal factor) and/or a wider gap in the credit spreads (external factor).

The Company, in accordance with Bank of Italy's regulation for prudential supervision, wrote a Treasury and Finance Regulation approved by the board of directors which fully regulates, continuously, the roles and responsibilities as regards governance and 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;
• 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 **finance office**, the responsibility of ensuring the equilibrium between inflows and outflows by seeking credit facilities related to the expected period of the lending activity.

The Company has also adopted a "Liquidity policy" approved by the board of directors which, briefly:
• has the purpose of maintaining a high degree of diversification in order to reduce liquidity risk;
• identifies the governance and control principles by pinpointing the structures responsible for operational and structural management of liquidity risk;
• establishes the operational limits and the criteria of the various operational situations;
• outlines the Liquidity Contingency plan.

The objective of the liquidity policy is to define a funding policy in order to pursue an adequate level of financial flexibility while maintaining a current treasury margin which supports business operations by obtaining funding sources without altering the income statement or balance sheet equilibrium represented by relationship between sources and uses.

The liquidity policy lists the potential risks that the Company may be confronted with under liquidity risk, the management criteria of the above risk through a diversification of short-term assets (operational liquidity risk management) and medium-term assets (structural liquidity risk) as well as the procedure for performing and the criteria for characterizing the stress tests, aimed not only at measuring in quantitative terms the Company's ability to face possible adverse events which trigger liquidity risk but also to verify ex post the concrete realization of the hypothetical event.
The policy describes the contingency plan with the aim of safeguarding the assets of the intermediary in the case of a liquidity drain by defining the roles and responsibilities involved in alert and crisis situations, the formulation of strategies for the management of the state of alert and crisis together with the identification of the main indicators of risk.

QUANTITATIVE INFORMATION

**1. Time breakdown by contractual residual maturity of financial assets and liabilities**
**Currency of denomination: euro**

| Items / Maturity | on demand | 1 to 7 days | 7 to 15 days | 15 days to 1 month | 1 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | unspecified maturity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance sheet assets | | | | | | | | | | | |
| A.1 Government securities | | | | | | | | | | | |
| A.2 Other debt securities | | | | | | | | | | | |
| A.3 Financing | 297,527 | 657 | 537 | 9,260 | 10,071 | 24,368 | 110,438 | 1,103,740 | 98,993 | 14,118 | |
| A.4 Other assets | | | | | 19 | 32 | 99 | 173 | | | 6,317 |
| Balance sheet liabilities | | | | | | | | | | | |
| B.1 Payables: | | | | | | | | | | | |
| - Banks | 313,674 | | | 6,000 | 140,000 | 37,711 | 487,500 | 132,500 | | | |
| - Financial institutions | | | | | | 49,152 | | 190,855 | | | |
| - Customers | 55,709 | | | | | | | | | | |
| B.2 Debt securities | | | | | | | | | | | |
| B.3 Other liabilities | | | | 10 | | 7 | 83 | 746 | | | |
| Off-balance sheet transactions | | | | | | | | | | | |
| C.1 Financial derivatives with exchange of capital | | | | | | | | | | | |
| - Long positions | | | | | | | | | | | |
| - Short positions | | | | | | | | | | | |
| C.2 Financial derivatives without exchange of capital | | | | | | | | | | | |
| - Long positions | | | | | | | | | | | |
| - Short positions | | | | | | | | | | | |
| C.3 Loans to be received | | | | | | | | | | | |
| - Long positions | | | | | | | | | | | |
| - Short positions | | | | | | | | | | | |
| C.4 Irrevocable commitments to lend funds | | | | | | | | | | | |
| - Long positions | | | | | | | | | | | |
| - Short positions | | | | | | | | | | | |
| C.5 Financial guarantees provided | | | | | | | | | | | |

***Section 4 – Information on equity***

*4.1 Equity of the Company*

*4.1.1 Qualitative Information*

The equity of the Company is composed of the aggregate of share capital, reserves, valuation reserves and profit for the 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: composition*

| Items / Amounts | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| 1. Share capital | 130,900 | 105,400 |
| 2. Share premium | | |
| 3. Reserves | | |
| - income | | |
| a) legal | 14,212 | 11,549 |
| b) statutory | | |
| c) treasury shares | | |
| d) other | 12,834 | 9,836 |
| - other | | |
| 4. (Treasury shares) | | |
| 5. Valuation reserves | | |
| - Available-for-sale financial assets | | |
| - Property, plant and equipment | | 2,791 |
| - Intangible assets | | |
| - Hedges of foreign investments | | |
| - Cash flow hedges | | |
| - Foreign exchange differences | | |
| - Non-current assets and disposal groups | | |
| - Special revaluation laws | 3,823 | 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 | 40,200 | 53,261 |
| Total | 201,969 | 204,269 |

*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 regulated risks, also through its internal Risks 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:

1. Tier 1

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 banking and financial institution in excess of 10%

2. Tier 2

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 on property, plant and equipment used in the business (IAS/IFRS prudential filters)
• Equity interests in banking and financial institutions in excess of 10%

3. Tier 3

At December 31, 2011, there are no equity items that qualify as Tier 3.

*4.2.1.2 Quantitative Information*

| | Total 12.31.2011 | Total 12.31.2010 |
|---|---|---|
| **A. Tier 1 before prudential filters** | 177,463 | 136,583 |
| 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)** | 177,463 | 136,583 |
| D. Items to be deducted from Tier 1 | (3,147) | (3,132) |
| **E. Total TIER 1 (C - D)** | 174,316 | 133,451 |
| **F. Tier 2 before prudential filters** | 3,823 | 24,223 |
| **G. Tier 2 prudential filters:** | | |
| G.1 Positive IAS/IFRS prudential filters (+) | | |
| G.2 Negative IAS/IFRS prudential filters (-) | | (1,395) |
| **H. Tier 2 gross of items to be deducted (F + G)** | 3,823 | 22,828 |
| I. Items to be deducted from Tier 2 | (3,147) | (3,132) |
| **L. Total TIER 2 (H - I)** | 676 | 19,696 |
| M. Items to be deducted from Tier 1 and Tier 2 | | |
| **N. Regulatory capital (E + L - M)** | 174,992 | 153,147 |
| O. TIER 3 | | |
| **P. Regulatory capital including TIER 3 (N + O)** | 174,992 | 153,147 |

### *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 of *"Instructions for the Preparation of the Financial Statements of Financial Intermediaries ex Art. 107 of TUB, payments institution, IMELs, SGRs and SIMs"* written by Bank of Italy and issued on March 13, 2012, 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, 2011, in relation to its business, is adequate according to the level of capitalization and the profile of risk identified.
The capital ratios are 16.5% for the Tier 1 Capital Ratio and 16.6% 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 approach;
- counterparty risk → Standardized approach;
- operational risk → Basic indicator approach;
- market risk → *not relevant.* 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.
With regard to regulatory capital and capital requirements reporting, the credit assessment agency (ECAI) for exposures to central administrations and central banks recognized by Farmafactoring is Moody's Investor Service, with the "Unsolicited" type of rating. Following the downgrade of Italy's rating on October 4, 2011, the weighting of the "Public Sector entities" went from 20% to 50% while that of "Central administrations and central banks" remained the same at 0% thanks to the use of the "preferential weighting factor" applicable in the event the corresponding funding is denominated in the same currency.

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 territorial entities with offices in a member State of the European Union denominated and financed in the local currency by virtue of Bank of Italy's communication of March 1, 2012 which extends regulations for banks to the Financial Intermediaries registered in the Special List with respect to the 8th update of Circular 263 *"New prudential supervision regulations for banks".*
• 50% for receivables from the Public Administration (which include those from AOs in the National Health System and ASLs);
• 50% 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 in the event of insolvency. For the Company, the counterparty risk is represented only by derivative contracts put in place 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).

Pillar 2 –The ICAAP Summary

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 1, 2012 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 present the ICAAP 2011 Summary to the Regulatory Authority by the April 30, 2012 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 | 1,662,307 | 1,708,173 | 832,441 | 378,679 |
| 2. Internal rating based (IRB) approaches | | | | |
| 2.1 Basic indicator approach | | | | |
| 2.2 Advanced | | | | |
| 3. Securitizations | | | | |
| B. Regulatory capital requirements | | | | |
| B.1 Credit and counterparty risk | | | 49,946 | 22,721 |
| B.2 Market risk | | | | |
| 1. Standardized approach | | | | |
| 2. Internal models | | | | |
| 3. Concentration risk | | | | |
| B.3 Operational risk | | | | |
| 1. Basic indicator approach | | | 13,483 | 13,118 |
| 2. Standardized approach | | | | |
| 3. Advanced approach | | | | |
| B.4 Other capital requirements | | | | |
| B.5 Other calculation elements | | | | |
| B.6 Total capital requirements | | | 63,429 | 35,839 |
| C. Risk assets and capital ratios | | | | |
| C.1 Risk-weighted assets | | | 1,057,362 | 597,436 |
| C.2 Tier 1/Risk-weighted assets *(Tier 1 capital ratio)* (%) | | | 16,5% | 22,3% |
| C.3 Regulatory capital including TIER 3/Risk-weighted assets *(Total capital ratio)* (%) | | | 16,6% | 25,6% |

The increase in the amount of risk-weighted assets and the resulting decrease in the capital adequacy ratio compared to the prior year is attributable to the downgrading of Italy's sovereign credit rating from class 1 to 2 with a consequent worsening of the risk weight of the receivables portfolios held. Specifically, the risk weight of receivables due from the Public Administration went from 20% to 50%.

*Section 5 – Analytical statement of comprehensive income*

Analytical statement of comprehensive income at December 31, 2011

| Items | Before tax effect | Tax effect | After tax effect |
|---|---|---|---|
| 10. Profit/loss for the year | 61,270 | 21,070 | 40,200 |
| 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) | 61,270 | 21,070 | 40,200 |

***Section 6 – Related party transactions***

***6.1 Information on compensation to key managers***

- Compensation to the directors: Euros 551.
- Compensation to the board of statutory auditors: Euros 172.

***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 year was renewed by communication to the Tax Revenue Agency.
The 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 Company carries a loan secured from the parent, FF Holding S.p.A., for Euros 5 million, received on December 28, 2009, due by contract on December 19, 2013 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., and share capital of Euros 100,000 fully paid-in.
On December 15, 2010, the special shareholders' meeting of the Spanish company resolved to increase share capital to Euros 6.1 million which, at December 31, 2011, is fully paid-in.
On July 1, 2011, the special shareholders' meeting also passed a resolution to change the name of the company to Farmafactoring España S.A. and the legal document was filed with the *"Registro Mercantil de Madrid"* on September 7, 2011.

In October 2011, Farmafactoring S.p.A and the subsidiary Farmafactoring España S.A. signed a license agreement. The agreement covers the IT user rights to the software, organizational methods and communication lines of Farmafactoring S.p.A. (IT rights), as well as the assistance, maintenance and monitoring of the IT rights themselves. The contract also provides for the use of Farmafactoring S.p.A.'s know-how. Royalties are paid as consideration and, for the year 2011, were determined in the amount of Euros 200 thousand.

On October 7, 2011, Farmafactoring S.p.A. extended a loan of Euros 5 million to Farmafactoring España S.A. The loan is due by contract on April 3, 2013 and is regulated by normal market conditions.

Farmafactoring España S.A., whose operating activities reflect those of the parent, began business in October, making its first purchases of non-recourse receivables which continued over the last quarter for a total of Euros 9.8 million.

# 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, 2011 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 the audit of its financial statements. The audit firm is listed in the register of the Ministry of Justice 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, 2011 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, paragraph 1 of the Italian Civil Code, we would like to inform you that:

- the board 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;
- the board has taken part in the shareholders' meetings and meetings of the board of directors and the Credit Committee, 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;
- the board 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;
- the board 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;
- the board has monitored the development of internal control and risk management activities for the year 2011 and monitored the areas covered by such activities, which we believe are adequate in relation to the needs of the company;
- the board 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, seventh update of July 9, 2007;

- the company has fulfilled the obligation of updating the programming document on security relating to the treatment of data for purposes of the law on privacy, even in the absence of a legal obligation to do so;
- the board 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, through meetings and direct participation in the work itself;
- the board has proceeded with the customary exchange of information with the firm charged with the accounting control pursuant to art. 2409 *septies* of the Italian Civil Code and art. 150, paragraph 3 of Legislative Decree 58/1998;
- there are transactions between the company and related parties 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 2011, neither petitions or complaints have been received nor has the board issued opinions pursuant to the law;
- the board has examined the report on the financial statements issued on April 12, 2012 by the audit firm charged with the audit which expressed an unqualified opinion without qualifications.

- We would also like to point out that in 2011, subsequent to the coming into force of the provisions of Legislative Decree 39 of January 27, 2010 relating to the 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 continued the verification activity pursuant to art. 19 of the Decree charged to the "Internal Control and Audit Committee", 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, 2011 of Farmafactoring S.p.A.;
  - the independence of the audit firm particularly in relation to the non-audit services rendered to the entity in 2011 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 12, 2012, has confirmed its independence in writing to the Committee, giving information on the non-audit services provided in 2011 to the company or to companies of the Group, and also by parties in its 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 Internal Control and Audit Committee, 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 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.

- With the approval of the financial statements for the year ended December 31, 2011, the mandate conferred for the audit expires. The board of statutory auditors is examining the audit proposals received from three leading audit firms, including the firm which is currently charged with the audit and will issue a separate report on the conferral of the engagement as established by Legislative Decree 30/2010, art. 13, paragraph 1.

Hence, the board has no reasons to oppose the approval of the financial statements at December 31, 2011 and expresses a favorable opinion on the motion for the appropriation of profit proposed by the board of directors.

We would like to remind you that the mandate conferred to the board of statutory auditors expires with the approval of the financial statements for the year ended December 31, 2011. We thank you for the trust accorded us and at the same time ask that you resolve on the question at hand.

Milan, April 13, 2012

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 AND 16 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 2011. 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 4 April 2011.

3 In our opinion, the financial statements of Farmafactoring SpA as of 31 December 2011 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.

***PricewaterhouseCoopers SpA***

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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 2011.

Milano, 12 April, 2012

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 SHAREHOLDERS' MEETING

The ordinary shareholders' meeting, which met in second call on May 3, 2012, approved the financial statements for the year ended December 31, 2011, consisting of the balance sheet, income statement and notes, 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 pursuant to law, and appropriated the profit for the year of Euros 40,200,468 as follows:

- to the legal reserve, the amount of Euros 2,010,023;
- to dividends, the amount of Euros 11.50 for each of the 1,700,000 outstanding shares, equal to a total of Euros 19.550.000;
- to retained earnings, the remaining amount of Euros 18,640,445.

The meeting also passed resolutions on the following:

- to appoint for the three-year period 2012, 2013 and 2014, and therefore up to the approval of the financial statements at December 31, 2014, the board of directors composed of five members: Marco Rabuffi - *Chairman*, Giancarlo Aliberti - *Vice Chairman*, Massimiliano Belingheri, Gabriele Cipparrone, Federico Fornari Luswergh;

- to appoint for the three-year period 2012, 2013 and 2014, with expiry upon approval of the financial statements at December 31, 2014, the board of statutory auditors as follows: Francesco Tabone - *Acting Auditor and Chairman*, Luca Simone Fontanesi - *Acting Auditor*, Marcello Priori - *Acting Auditor*, Patrizia Paleologo Oriundi - *Alternate Auditor*, Giovanni Maria Conti - *Alternate Auditor*;

- to appoint, owing to the expiry of the appointment, for a nine-year audit engagement, and therefore up to the approval of the financial statements at December 31, 2020, the audit firm of PricewaterhouseCoopers S.p.A.


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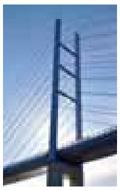
03


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1. **Ponte dell'Alamillo.** Siviglia, Spagna
2. **Ponte sul Hoofdvaart.** Hoofddoorp, Olanda
3. **Ponte di Rügen.** Stralsund, Germania
4. **Ponte Squinty.** Glasgow, Scozia

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