FARMAFACTORING SPA

Annual Report 2012

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Registered office in Milan - Via Domenichino 5
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Share capital Euros 130,900,000 (fully paid-in)
Company Register No. 249145
REA 1193335
Tax Code No. 07960110158

Annual Report 2012 28th Year

Call to the General Annual Shareholders' Meeting of Farmafactoring S.p.A.

The shareholders are hereby convened to the ordinary General Annual Shareholders' meeting to be held at the headquarters of the Company, in Milan, Via Domenichino 5, in first call, on Wednesday, April 24, 2013, at 15:00, and, should it prov0e necessary, in second call, on Monday, April 29, 2013, at the 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, 2012, the Board of Directors' report on operations and the Board of Statutory Auditors report; respective and pertinent resolutions.

Milan, March 28, 2013

The Chairman
of the Board of Directors
Salvatore Messina

Contents

BOARD OF DIRECTORS

Chairman	Salvatore Messina
Chief Executive Officer	Marco Rabuffi
Vice Chairman	Giancarlo Aliberti
Directors	Massimiliano Belingheri Gabriele Cipparrone Daniele Ferrero Federico Fornari Luswergh

BOARD OF STATUTORY AUDITORS

Chairman	Francesco Tabone
Acting auditors	Luca Simone Fontanesi Marcello Priori
Alternate auditors	Patrizia Paleologo Oriundi Giovanni Maria Conti

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.

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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 easing of financial tensions in the eurozone associated with the improvement in the markets afflicted by sovereign debt, the agreement reached in the United States to avoid the fiscal cliff and the positive development of the future prospects of emerging nations attenuated the risks of recession threatening the global economy, although these phenomena did not remove them entirely.

Factors contributing to this scenario include the effects of the Outright Monetary Transactions implemented by the ECB, the decisions made by the Euro group to support Greece, the agreement reached by the Council of Ministers of the EU to create a single supervisory mechanism over banks, with the aim of preventing the vicious circle between bank sovereign debt and conditions of the banking system.

In the main industrialized countries outside the eurozone, monetary policies remained strongly expansive, as a result of the persisting weakness in economic growth and expectations of moderate inflation.
In the U.S., the Federal Reserve left interest rates unchanged at 0.25%.
The Bank of Japan and the Bank of England left their rates of interest unchanged at 0.10%, and 0.50% respectively.

In the area of the Euro, too, faced with unfavorable prospects for growth and an attenuation of inflationary pressure, the ECB brought the official rate of interest down to a record low of 0.75%.

In 2012 and the first months of 2013, international coordination efforts continued to strengthen the regulations and the supervision of banking and financial systems. The Basel Committee on Banking Supervision ("Basel III") unanimously approved the revision of the Liquidity Coverage Ratio for banks (LCR), and announced its intention to ensure greater flexibility (both in terms of requirements and time-scales) in order to enable the various banks involved to adapt gradually to the liquidity parameters imposed by the Commission. This decision should result in an easing of the effects of the credit crunch, however, it is still having an effect owing to the high level of risk perceived by banks, in relation to the effects of the recession on the financial statements of companies.

The strongly expansive policy of the United States and less uncertainty about the solidity of the EMU influenced the trend of currencies in 2012. The Euro gained in value against the U.S. dollar, with an exchange rate equivalent to 1.3194, a variation of 2.0% compared with year-end 2011 (equivalent to 1.2939). The Euro also gained in value against the currencies of Japan and China, by 13.4% and 0.8%, respectively, whereas the currencies of Great Britain and Switzerland gained in value by 2.3% and 0.7% respectively.

Inflation remained at a moderate level in the main industrialized countries, reflecting the weakness of the cyclical phase. According to the latest OECD estimates, the annual inflation rate in the United States fell to 2.1% from 3.1% in 2011, whereas, in the eurozone, inflation settled at 2.4%, having fallen from 2.7% in the prior year. In 2013, the inflation rates in the United States and the eurozone are expected to be around 1.8% and 1.6% respectively.

In this scenario, prospects for global growth remain overshadowed by great uncertainty, due to the uncertain evolution of the crisis in the eurozone, and by the management of the imbalances in the public finances in the United States. According to the OECD, in 2012, in the United States, GDP should settle at +2.2%, compared with 1.8% in 2011, whereas, in 2013, it is expected to be +2.0%. In the eurozone, in 2012, as a result of the negative evolution in internal demand, GDP is expected to contract 0.4%, compared with growth of 1.5% reported in 2011. As regards the major European economies, GDP in Germany reported slight growth (+0.9%), while GDP in France was close to stagnation (+0.2%). Italy and Spain were in greater trouble, with a predicted fall in GDP of 2.4% and 1.3% respectively.

In the most important emerging nations, economic activity continued to slow down, reflecting the negative impact of the international economic situation, although this was partly compensated in some cases by positive internal demand. In 2012, GDP is expected to expand by 3.4% in Russia, 1.5% in Brazil, 4.5% in India and 7.5% in China.

According to the latest OECD projections, in 2012, on average, the gross world product should have increased by 2.9%, compared with 3.4% in 2011; in the current year it should rise by 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 (-0.1%), there is expected to be growth of 2.0% in the United States and 0.7% in Japan; in the major emerging economies growth is expected to intensify in China and India, and more decisively so in Brazil.

THE ITALIAN ECONOMY IN 2012 AND FORECASTS FOR 2013

According to figures coming out of ISTAT, it is estimated that, in Italy, on average, GDP contracted 2.4% in 2012, compared with growth of 0.4% in 2011.

Foreign trade has continued to make a positive contribution to the growth of GDP thanks to an increase in exports to countries outside the EU and a fall in imports.

On the other hand, industrial production and investments in construction continued to decline, and capital expenditures by companies also fell as a result of uncertainty about the potential demand. Household consumption again diminished, as the shrinkage in disposable income continued amid a strong sense of uncertainty.

Bank of Italy expects that foreign sales will continue to grow in 2013, with an increase of 2.2% (up from 1.8% in 2012), and that, in 2014, they will begin to accelerate again, rising approximately 4.7%.

In December 2012, annual inflation in Italy reached 3.0%, compared with 2.8% in the prior year. In the last quarter of the year, the lessening of the impact of the maneuvers involving indirect taxation implemented in the autumn of 2011 and the easing of the pressure from crude oil prices led to a slowdown in the growth of inflation in the last quarter compared with the first months of the year. According to Bank of Italy, inflation measured using the consumer price index should return to below 2% in the two-year period 2013-2014, as a result of the favorable trend of energy prices and restraint with regard to salaries, which should compensate the increase in the ordinary VAT rate, scheduled for next July.

The level of unemployment reported at the end of December rose to 11.2%, an increase of 1.8% on an annual basis. In 2013, Bank of Italy expects that unemployment will rise by another percentage point, whereas, in 2014, it should remain unchanged.

The attenuation of tensions on markets affected by sovereign debt enabled Italian banks to improve funding conditions on wholesale markets. Retail funding is also on the rise. The equity of Italian banks, in the meantime, increased further.
However, the offering of credit is still being hindered by the high level of risk perceived by banks, with regard to the effects of the recession on the financial statements of companies, and there is still a large gap between the cost of credit in Italy and the average of the eurozone.

In 2012, the indicators of the quality of credit continued to deteriorate, a trend begun in 2011. In October and November, there was a further rise in the exposure of banks with debtors that for the first time were labeled non-performing loans.

The first estimates of Bank of Italy put the budget deficit of the Public Administration at approximately 3% of GDP, compared with 3.8% in 2011, consequent to the reduction in State sector requirements that commenced in 2011.
Despite the weakness of the economy, the maneuvers approved in the second half of 2011 should still make it possible to improve the state of public finances in the two-year period 2013-14.
According to the information currently available, in 2012, the Debt/GDP ratio increased by approximately 6.3%, from 120.7% in 2011, settling at about 127%.

According to the forecast for the two-year period 2013-2014, issued by Bank of Italy, GDP is expected to contract by 1.0% in 2013 and by 0.7% in 2014.

THE NATIONAL HEALTH SYSTEM IN ITALY IN 2012 AND FORECASTS FOR 2013

During the 16th term of Parliament, numerous measures were passed which aimed to reduce and rationalize health care expenditures. The most important measures were contained in Budget Law 2010, Legislative Decree 78/2010 and the Stability Law 2011. These measures, for the two-year period 2013-2014, were continued and described in greater detail in Legislative Decrees 98/2011, 95/2012, 158/2012 and 228/2012.

The Budget Law 2010 (Law 191 of December 23, 2009), 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, amended and converted into Law 122/2010, introduced certain modifications in terms of the resources planning for the National Health Service and the repayment plans. Law 220/2010 (Stability Law 2011) increased levels of funding for the National Health Service for 2011, in line with the new "Health Care Agreement".
Legislative Decree 98/2011 established levels of funding for the National Health Service for the two-year period 2013-2014 and, finally, Legislative Decree 95/2012, on the so-called spending review, established reductions in expenditure for 2013 and 2014. Both of the decrees mentioned introduced new measures to cut health care expenditures, leading to corresponding reductions in ordinary state funding, of an amount equal to the estimated effects of the spending cuts.

Law 228 of December 24, 2012 (Stability Law 2013) has ordered a further reduction of the requirements of the National Health Service and related funding, for the years 2013 and 2014.

The level of funding of the National Health Service, which the State usually provides, thus amounts to Euros 106.8 billion for 2013 and Euros 107.7 billion for 2014.

According to the first estimates, health care expenditures in 2012, should settle at approximately Euros 113.6 billion, compared with Euros 112.9 billion in 2011.
In 2012, the funding for the National Health Service set aside for current expenditures, leaving aside the funds actually received by the various bodies of the National Health Service and transfers from the regions, amounted to Euros 108.0 billion.
The health care deficit for 2012, considering State funding alone, would be approximately Euros 5.6 billion.

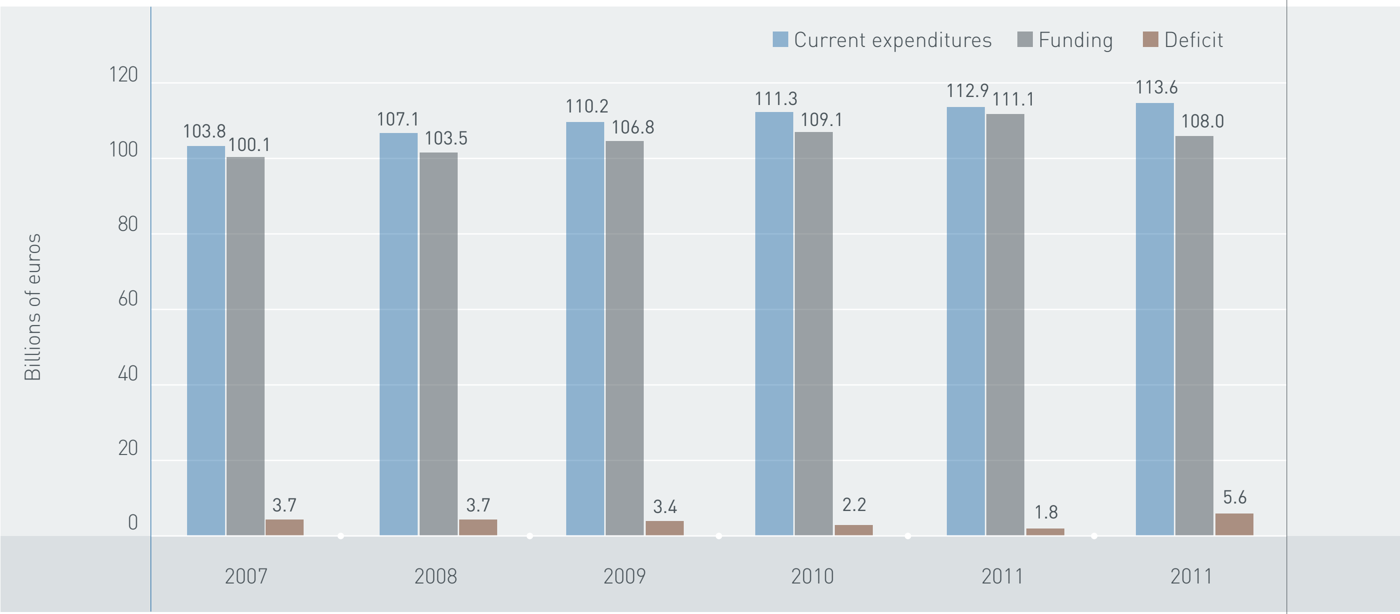
Even after the new "federal health" rules were announced, the main tool ensuring that economic balance will be restored to the sector is that, from now on, regions reporting significant deficits will be obliged to adopt repayment plans. In fact, the new regulations and, more particularly, those concerning standard costs, do not introduce any changes to the current framework regulating funding for the sector and the sharing of available resources among the regions.

By adopting repayment plans, regions are obliged to activate the maximum level of regional fiscal levers permitted by law, maneuvering the rate of IRPEF where necessary, in order to raise additional resources to cover the deficit resulting from health care management.

Currently, 8 of the 20 regions are committed to this procedure. The regions of Lazio, Abruzzi, Molise, Campania and Sicily - involved since 2007 and which, since the structural causes of the imbalance have not yet been removed, have had to extend their adhesion - are now joined by Calabria, Piedmont and Puglia.

Legislative Decree 158 of September 13, 2012, amended and converted into Law 189 of November 8, 2012, extended the regime prohibiting local health authorities and hospitals belonging to regions already committed to a repayment plan or under an external commissioner from initiating or continuing enforcement proceedings. The restriction was extended until December 31, 2013.

National Healthcare Fund



BUSINESS DEVELOPMENTS

In an economic setting plagued by deep uncertainty on the financial markets and a difficult economic situation on a national and international level, associated with the sovereign debt crisis in the eurozone, Farmafactoring has recorded the best results since the Company was founded, reporting a profit of Euros 56.4 million. This result acquires even greater importance when we consider that it is mainly the result of an improvement in operating income, which increased from Euros 79.9 million in 2011, to Euros 108.7 million in 2012, equivalent to an increase of 36.1%.

With regard to the increasing cost of money, resulting from the prevailing credit crisis, your Company decided to pursue a balanced commercial policy, with the aim of optimizing the trade-off between brokered volumes and profitability, through a careful selection of the composition of the portfolios acquired.
The above-mentioned increase in interest rates, which began in 2011 and is continuing in the current year, was passed on to the maturity commissions, leading to a benefit in the income statement for the year.

In July 2012, the latest downgrade of Italy's sovereign credit rating lowered the "credit quality class" from class 2 to class 3, with a consequent increase in the risk weight coefficients of the receivables portfolios held. Specifically, the risk weight of the receivables from the Public Administration went from 50% to 100%, thus causing an increase in the amount of risk-weighted assets.

The downgrade of Italy's rating in October 2011 had already caused the credit quality class to be lowered from class 1 to class 2, generating an increase in the risk weight of the receivables from the Public Administration from 20% to 50%.

Notwithstanding the increase in risk-weighted assets generated by the repeated downgrades, Farmafactoring's capital ratios, that is, the Tier 1 Capital Ratio and the Total Capital Ratio are 11.4% and considerably higher than the regulatory limits.

The subsidiary Farmafactoring España S.A., which commenced operations in October 2011, continues to purchase non-recourse receivables in the Spanish market and has now initiated activities for the management and recovery of health care receivables. The year 2012 represents the first full year of the subsidiary's operations.

In order to strengthen its position on the market, while sustaining growth through access to new sources of financing, the Company applied for authorization to Bank of Italy to start banking activities, approved by the regulatory authorities in January 2013.

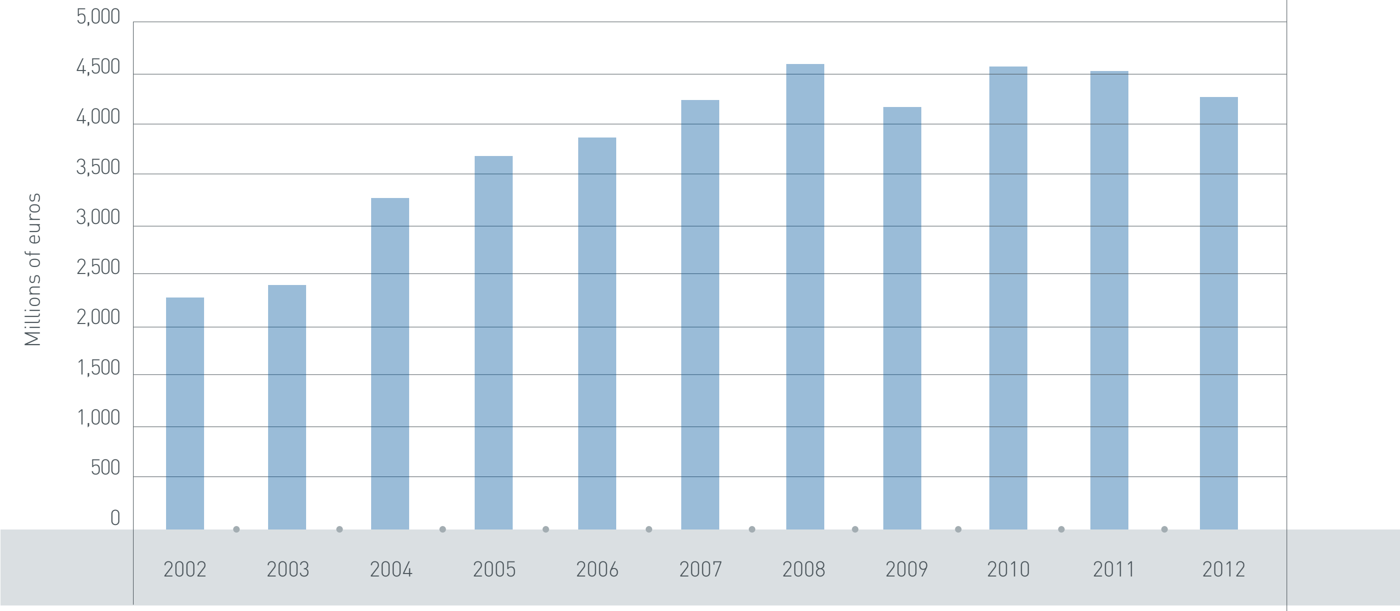
A description is presented below of the trend of the main business indicators and the key balance sheet and income statement figures.

MAIN BUSINESS INDICATORS IN 2012 COMPARED WITH 2011

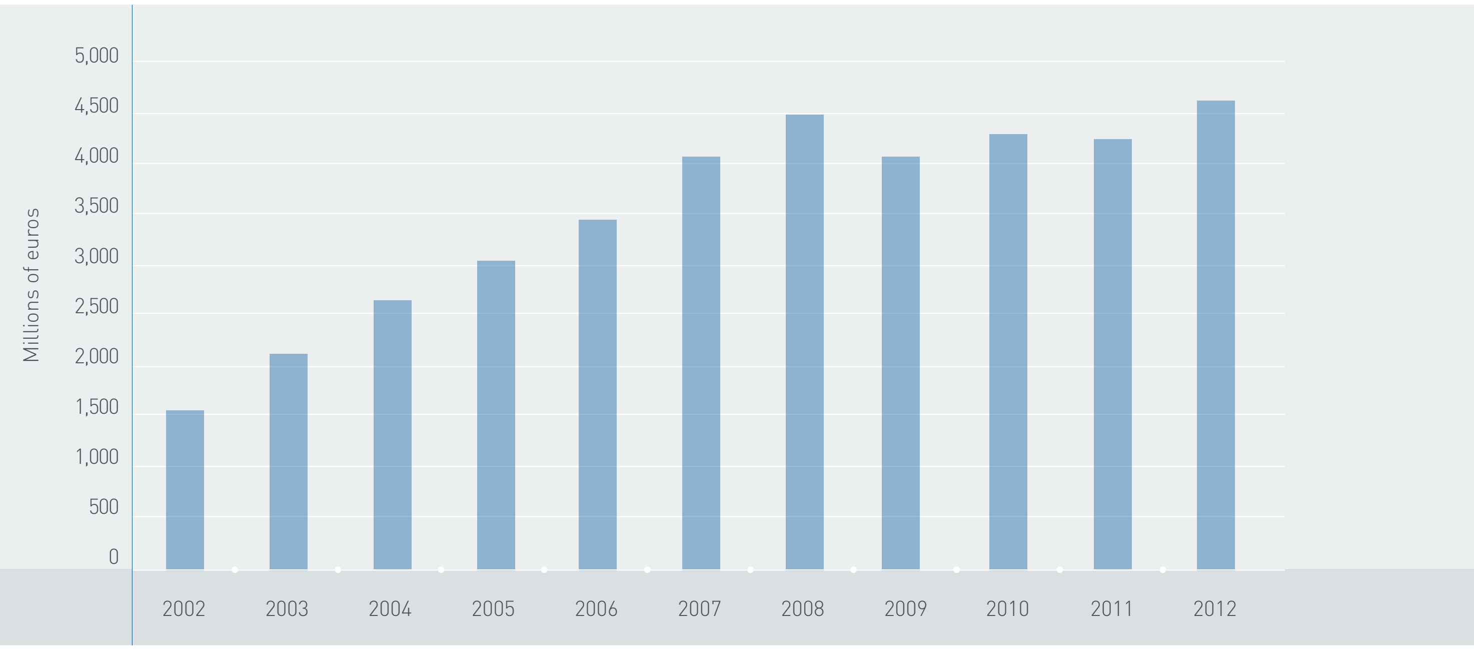
Overall volumes recorded by Farmafactoring were Euros 4,319 million and total collections amounted to Euros 4,637 million.
In view of the difficult economic scenario described, again in 2012 Farmafactoring preferred to keep to a commercial policy aimed at satisfying its existing customers' needs, despite a tight credit policy which impacted the possibilities to expand funding.
This situation particularly affected the purchases of non-recourse receivables which settled at Euros 1,706 million, including about Euros 3 million of purchases below face value, compared with Euros 2,050 million in 2011. These purchases were completed without entering into "extraordinary transactions" connected with regional agreements that call for the management or sale 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

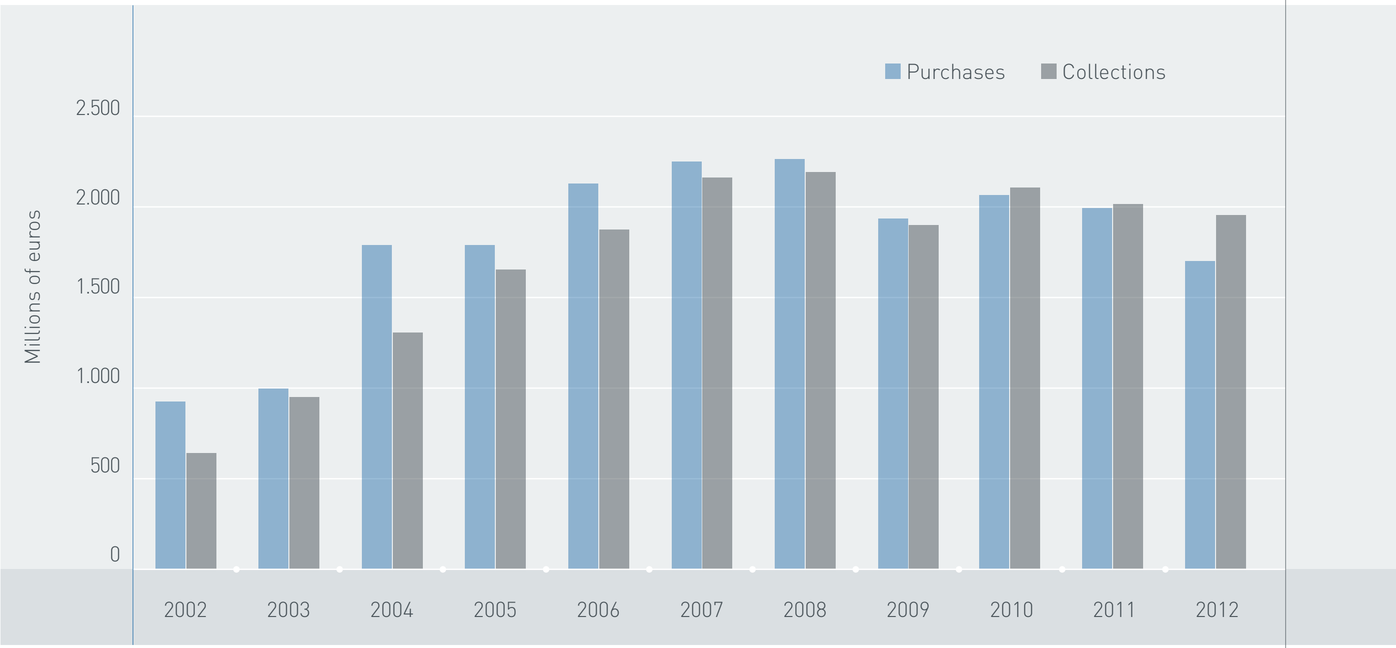


Total Collections



Collections on non-recourse receivables amounted to Euros 1,995 million and did not differ significantly from collections in 2011; about 89 million was collected under agreements with the Lazio and Campania regions.
In 2011 collections under regional agreements amounted to Euros 263 million.

Non-Recourse Receivables - Purchases and Collections



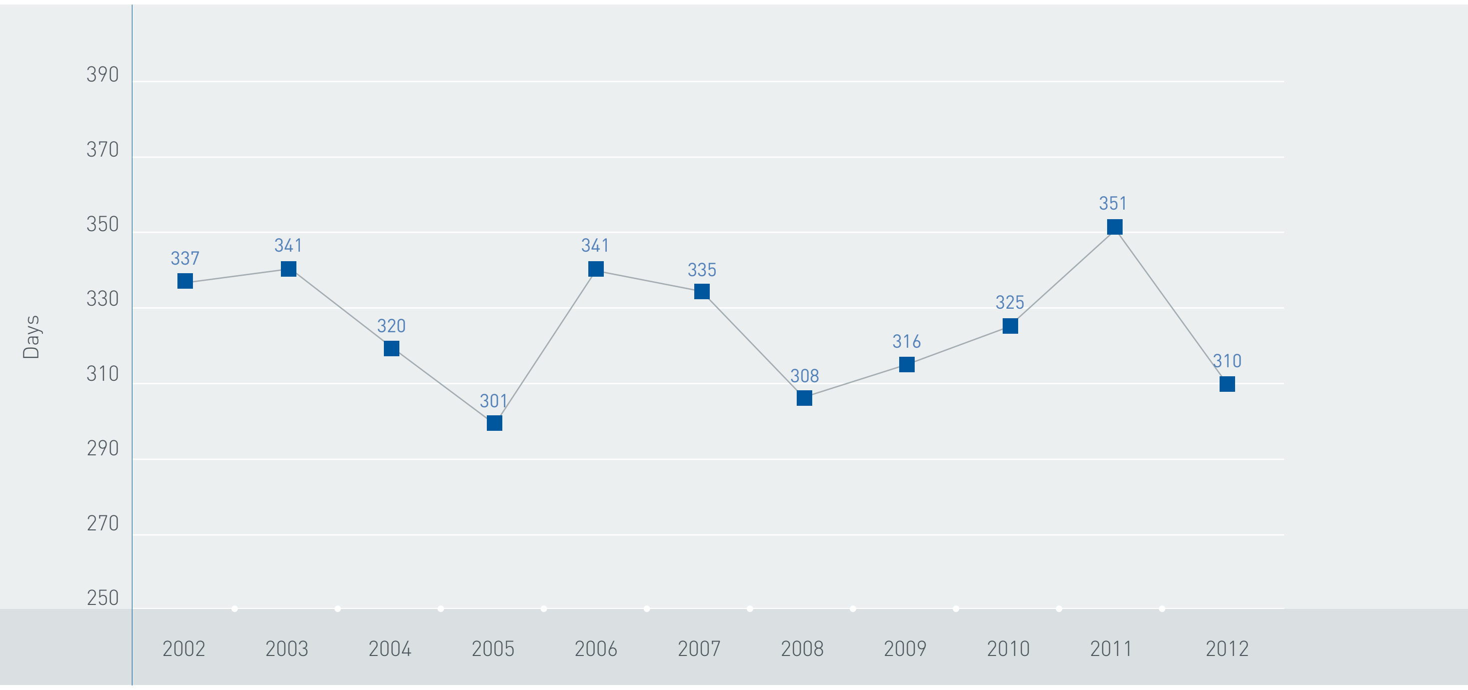
Regional agreements allow collection times to be brought forward on the receivables from ASLs (Local Health Service Agencies) or AOs (Hospital Companies) that have high number of average days' delay in payment.
These agreements allow the region to achieve the objective of decreasing the use of public funds destined for health care expenditures and reducing payment times.

In 2012 the average number of days' delay in payment was 310 days compared with 351 days in 2011.

The considerable reduction in the number of days' delay in payment compared with the previous year, in contrast to the continual worsening of the situation as reported by the media and business associations, is due to an intensification of the action to manage receivables throughout the country to thwart the effects of extending the freeze on seizing assets and the persistent underfinancing of health expenditures. Thanks to actions aimed at the individual ASLs, it was possible to increase the collection flows compared with the historical average, achieving important results in terms of working out agreements for the settlement of principal and interest.

The actions put into place made it possible obtain substantial payment flows even from regions in the hands of external commissioners, for an aggregate amount of about Euros 1.3 billion referring to receivables managed in the name of and on behalf of the clientele and receivables sold without recourse.

Average Number of Days' Delay in Payment

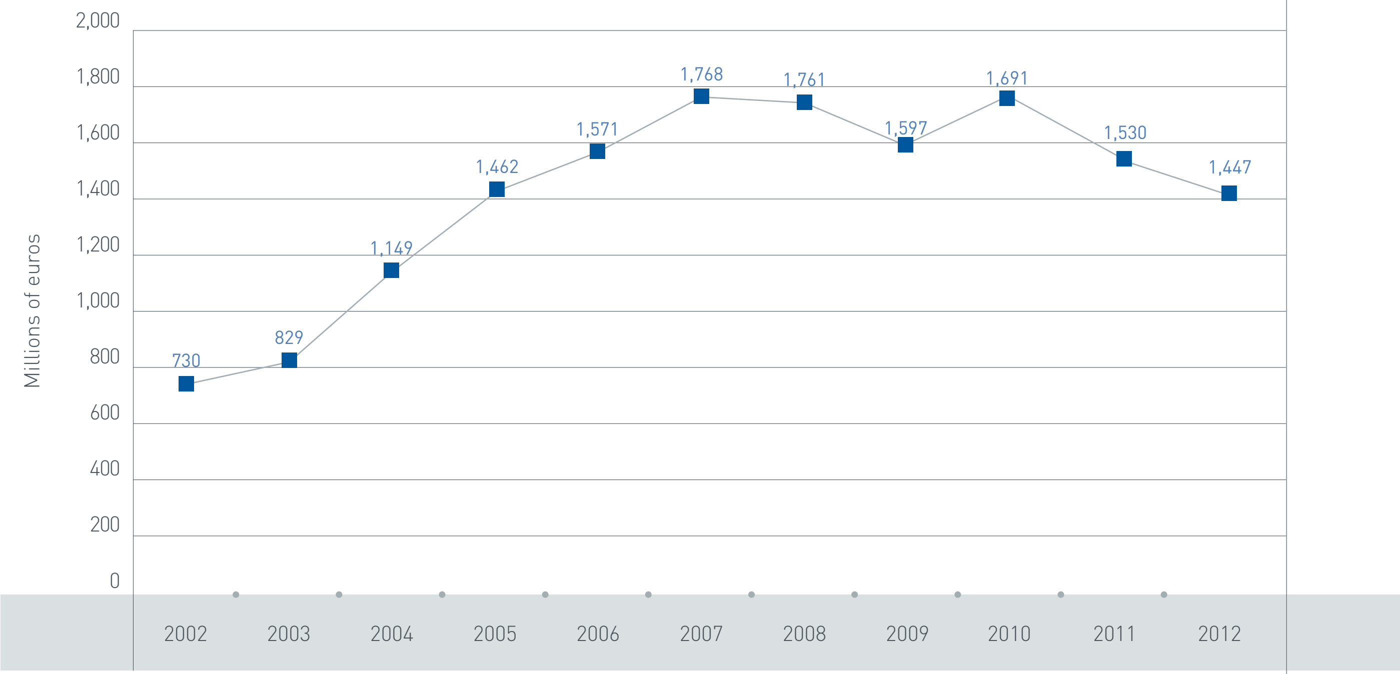


In 2013, the average number of days' delay on incoming payments is expected to remain in line with the figure for 2012.

The credit crunch that hit the financial markets ever since 2009 has further escalated in 2012 partly as a result of the repeated downgrades of Italy's sovereign credit rating by the major rating agencies. In this particularly adverse scenario, the Company was able to operate satisfactorily, notwithstanding the contraction of liquidity by the credit system.

The aggregate credit lines extended to Farmafactoring as of the end of December 2012 amounted to Euros 1,447 million.

Bank Credit Lines



Among the most important transactions concluded in 2012 are the following. Specifically:

- conclusion in October of a transaction for the securitization of health care receivables for Euros 150 million structured with Deutsche Bank;
- mandate given to Bayern LB in December for a securitization transaction of health care receivables for Euros 70 million, concluded in February 2013;
- bank pool loan organized by Intesa Sanpaolo for a total of Euros 175 million, concluded in July;
- bilateral committed credit lines for a total of Euros 125 million obtained from the largest national banking groups that have been doing business with Farmafactoring for some time;
- two new credit lines for a total of Euros 13 million.

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 implemented all the control activities established in the Audit Plan 2012, and monitored the follow-up.

The Risks Committee monitors the risk management process, analyzing the risks typical of the factoring business, in addition to checking compliance with capital adequacy as established by Basel II in Pillar II.

A specific risk management, compliance and anti-money laundering organizational unit was set up by the Company and the organizational unit's head of anti-money laundering was named in October 2012.

An organizational, management and control Model was designed by the Company in accordance with Law 231/2001. The Model consists of a General Part and Special Part in which the Code of Ethics is an integral part, with a Supervisory Body that periodically monitors the Organizational Code's adequacy through planned testing activities.

The activities of the Supervisory Body in 2012 were principally directed toward testing the adequacy of Model 231, control over information flows, anti-money laundering issues, a self-assessment of the procedural structure and a close examination of the audit reports.

SYSTEMS DEVELOPMENT

During 2012, Farmafactoring has continued the efforts begun in prior years to rationalize and innovate its core procedures as well as operating control systems beyond what is necessary to ensure the availability, continuity, performance and security of the systems (see Legislative Decree 196 of June 30, 2003, as amended, and the international standards ISO/IEC 27001:2005 - ISO/IEC 27002:2007).

In particular, the following main projects were implemented:
• activation of new server systems and new communication and 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 new regulations which came into force during the year;

• creation of new software for the factoring system relating to:
  - relating to the sale of receivables to third parties;
  - automatic attribution of risk indexes and steps to be taken on receivables on which no legal action have been initiated;
  - management of information workflows regarding external legal practices;
• updating to comply with Legislative Decree 196 of June 30, 2003, and subsequent revisions;
• activation of the new operations software system for general ledger accounting;
• start-up of new software systems for human resources management;
• after the start-up of the receivables management service of the subsidiary Farmafactoring España S.A. and, towards the end of the year, adaptation of the software systems to the Spanish setting in order to carry out this activity.

CHANGE IN STAFF HEADCOUNT

In order to support the Company's development plans and best meet the critical situation of the period, the headcount was expanded steadily over the years, as can be seen in the table below.

Category	2007	2008	2009	2010	2011	2012
Managers	3	4	6	6	5	7
Supervisors	17	16	22	24	29	31
Remaining staff	50	55	54	57	61	67
Total	70	75	82	87	95	105

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

in thousands of euros

Item	2007	2008	2009	2010	2011	2012
Personnel costs	6,519	7,792	9,031	9,030	8,398	11,330

Personnel costs increased as a result of the payment of a variable component of compensation, with no corresponding figure in the prior year, associated with the profit reported last year and also the above increase in the Company's headcount.

On January 19, 2012, the renewal of the collective national labor contract for the credit sector was signed.
This agreement led to higher compensation and long-term care, with a total impact on personnel costs of about Euros 60 thousand in 2012.

As for second level bargaining, on October 29, 2012 an agreement was reached with the Company's union representative in which, besides establishing the parameters for calculating the company bonus for the year, an agreement was reached on meal tickets which impact the income statement for about Euros 2 thousand.

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.

There is a license agreement with the subsidiary Farmafactoring España S.A. The agreement covers the IT user rights to the software, organizational methods and communication lines of Farmafactoring, as well as the assistance, maintenance and monitoring of the IT rights themselves. Royalties are paid as consideration and, for the year 2012, amounted to Euros 200 thousand.

Farmafactoring S.p.A, on April 3, 2012, signed a loan facility agreement with the subsidiary Farmafactoring España S.A., expiring on October 3, 2013 (18 months). The loan facility is regulated at normal market conditions and replaces the previous loan of Euros 5 million disbursed on October 7, 2011.
At December 31, 2012, the loan facility was drawn for Euros 4.5 million out of the agreed Euros 6.5 million.

On September 6, 2012, Farmafactoring's board of directors approved the "Intragroup Controls Regulation", with defines the overall organizational architecture for transactions with the subsidiary, the basic principles, the mechanisms and tools for coordination consistently with indications from Bank of Italy and with the requirements of sound and prudent company management.

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 undertaken 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.

Farmafactoring España S.A. will develop and consolidate the operating activities begun in the last quarter of 2011 and pursued in 2012.
Moreover, in the last part of the year, the Spanish subsidiary commenced credit management activities which, according to plans, should become fully functional during 2013. 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 and successive updates, also with reference to the "roneo" Letter of the Regulatory Authority no. 46586/13 of January 15, 2013.

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	12.31.2012	12.31.2011	Change
Assets			
Cash and cash balances	2	2	0
Financial assets held for trading	0	323	(323)
Available-for-sale financial assets	23	23	0
Receivables	1,341,669	1,609,544	(267,875)
Investments	6,294	6,294	0
Property, plant and equipment	13,295	14,091	(796)
Intangible assets	1,298	1,134	164
Tax assets	22,278	28,681	(6,403)
Other assets	14,667	8,952	5,716
Total assets	1,399,527	1,669,044	(269,517)
Liabilities and equity			
Payables	1,091,735	1,413,101	(321,366)
Financial liabilities held for trading	2,244	846	1,398
Tax liabilities	40,609	31,679	8,930
Other liabilities	22,251	18,034	4,217
Employee severance indemnities	696	712	(16)
Provisions for risks and charges	3,123	2,703	421
Equity	182,419	161,769	20,650
Profit for the year	56,449	40,200	16,249
Total liabilities and equity	1,399,527	1,669,044	(269,517)

RECLASSIFIED INCOME STATEMENT

in thousands of euros

Items	2012	2011	Change
Interest and similar income	151,102	124,860	26,242
Interest and similar charges	(49,963)	(56,112)	6,149
Net interest income	101,139	68,748	32,392
Net fee and commission income	9,319	11,222	(1,903)
Gains/losses on trading	(1,721)	(52)	(1,669)
Operating income	108,738	79,918	28,820
Impairment losses/reversals on financial assets	462	807	(345)
Administrative expenses	(26,118)	(22,201)	(3,917)
Adjustments to property, plant and equipment and intangible assets	(1,754)	(1,803)	49
Net provisions for risks and charges	(424)	786	(1,210)
Other operating income (expenses)	4,874	3,763	1,110
Pre-tax profit	85,778	61,270	24,508
Income taxes	(29,329)	(21,070)	(8,259)
Profit for the year	56,449	40,200	16,249

COMMENTS ON THE RECLASSIFIED BALANCE SHEET

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

Receivables

in thousands of euros

Items	12.31.2012	12.31.2011	Change
Due from banks	101,269	68,328	32,941
Due from financial institutions	1,226	1,226	0
Due from customers	1,239,174	1,539,990	(300,816)
Total	1,341,669	1,609,544	(267,875)

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

Details of "Due from customers" are the following:

in thousands of euros

Items	12.31.2012	12.31.2011	Change
Assignors - financing account	1,200	2,353	(1,153)
With recourse advances	0	179	(179)
Non-recourse receivables purchased	1,226,461	1,528,744	(302,283)
Receivables purchased below face amount	2,897	241	2,656
Other receivables due from customers	8,616	8,473	143
Total	1,239,174	1,539,990	(300,816)

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

The contraction in "Non-recourse receivables purchased" is due to the combined effect of lower non-recourse purchases and the good trend in collections.

The transaction for the securitization of health care receivables begun in June 2011 and structured with Banca IMI is still outstanding.
The receivables were sold to the vehicle company FF Finance S.r.l. but were not derecognized since the sale does not involve the transfer of the risks and rewards of ownership.
With regard to this operation, the value of the receivables sold and not derecognized, outstanding at December 31, 2012, amounts to Euros 214,525 thousand.

In October 2012, another securitization transaction was structured with Deutsche Bank. Similarly to the operation with the vehicle FF Finance S.r.l., the receivables are sold to the vehicle Farmafactoring SPV I S.r.l. and the assets were not derecognized. With regard to this transaction, the value of the receivables sold and not derecognized, outstanding at December 31, 2012, amounts to Euros 173,224 thousand.

Credit quality
The Company performed an impairment test on the receivables portfolio in order to identify any impairment of its financial assets.

This analysis made it possible to distinguish between "performing" and "non-performing" receivables; included in the non-performing category are financial assets that show an individual risk of loss, while the remaining financial assets are classified in the performing category.

Performing receivables include receivables due from customers which, although past due more than 90 days, show no objective indication of impairment at an individual level.

Although the receivables are due almost entirely from the Public Administration, as in previous years, at the date of the interim and year-end financial statements, the Company, in accordance with IAS 39, carried out a collective impairment test of performing receivables in order to monitor the quantitative content.

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 assigned by the major rating agencies.

Such analysis and the manner of calculation were formulated when the transition was made to international accounting standards. Such calculation did not produce significant data since the PD attributed to the regions based on the rating led to a modest impairment according to the impairment test.

Starting from July 2012, the input parameters for the collective impairment model led, as a result of the continual downgrades of Italy and the consequent downgrade of the regions in the fourth quarter of 2011, to a higher PD calculation compared with the past and, consequently, to a collective impairment loss that is no longer negligible. In particular, at December 31, 2012, the impairment test indicated an impairment loss of about Euros 1.7 million. Accordingly, the Company recorded a collective impairment charge on the portfolio for the same amount.

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 22,975 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 Bank of Italy's Circular 217 of August 5, 1996 – 10th update of July 24, 2012 *"Manual for the Compilation of Regulatory Reporting for Financial Intermediaries, Payment Institutions and IMELs"*.

Past due.
These are exposures with central administrations and central banks, territorial entities, public sector entities, non-profit entities and companies which at December 31, 2012 are past due more than 90 days.

At December 31, 2012, the total of past due receivables amounts to Euros 8,261 thousand.
The increase in past due exposures compared with December 31, 2011 derives from the provisions of Circular 216 of August 5, 1996 and subsequent updates, *"Regulatory Instructions for the Financial Intermediaries registered in the Special List"*, written by Bank of Italy. Until December 31, 2011, in fact, exposures with central administrations and central banks, public sector entities and territorial entities, were considered past due when the debtor had not made any payment for any debt positions due to the financial intermediary for more than 180 days. The period, as indicated in the same circular, represented a departure from the law. Therefore, beginning January 1, 2012, past due exposures are considered those positions with the public sector past due more than 90 days.

Restructured.
These are exposures 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, 2012, Farmafactoring does not have any positions classified as restructured receivables.

Doubtful.
These are exposures 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, that is, exposures that present the following conditions:
• do not belong to the "central administrations and central banks", "territorial entities" and "public sector entities" portfolios;
• are past due on a continuing basis more than 270 days;
• the total amount of past due receivables represents a portion equal to at least 10% of the entire exposure.
At December 31, 2012, the total of net doubtful receivables is Euros 2,894 thousand and consists solely of "objective" doubtful receivables.

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, 2012, total non-performing receivables, net of writedowns due to estimated impairment losses, amount to Euros 11.8 million. This amount corresponds to the exposure with the debtor Fondazione Monte Tabor in liquidation and admitted to the procedure for the composition of creditors by Decree of the Court of Milan on October 28, 2011.

The composition of creditors was approved on March 19, 2012 with a 52.45% favorable vote by those entitled. Subsequent to the meeting, other creditors requested to be admitted to the composition thus bringing the favorable votes to 84.66%.
With regard 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 impairment charge was recorded.

Moreover, Fondazione Monte Tabor under liquidation and in a composition of creditors, made the first payment of about Euros 4.7 million on January 3, 2013.

The other non-performing receivables have been completely written off by an adjusting provision account so that their net amount is nil.

Compared with December 31, 2011, gross non-performing exposures went from about Euros 17.0 million to about Euros 14.1 million due to the payments received from the liquidators of Fondazione Ordine Mauriziano and from the debtors connected with the bankruptcy of Enterprise Digital Architects S.p.A. This reduction was partially offset by the addition to non-performing receivables of another four debtors for an amount of approximately Euros 700 thousand, although entirely written off during the year. As for the aforementioned payments, since the positions were completely written off, such collections resulted in an impairment reversal with a positive impact on the income statement for about Euros 3.4 million.

The composition of impaired assets at December 31, 2012 and December 31, 2011 is presented below.

in thousands of euros

Type	12.31.2012			12.31.2011		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Non-performing	14,102	(2,281)	11,820	17,014	(5,018)	11,996
Exposure with assignors	0	0	0	0	0	0
Exposure with assigned debtors	14,102	(2,281)	11,820	17,014	(5,018)	11,996
Doubtful	2,898	(4)	2,894	842	0	842
Exposure with assignors	0	0	0	0	0	0
Exposure with assigned debtors	2,898	(4)	2,894	842	0	842
Restructured	0	0	0	0	0	0
Exposure with assignors	0	0	0	0	0	0
Exposure with assigned debtors	0	0	0	0	0	0
Past due	8,273	(12)	8,261	5,810	0	5,810
Exposure with assignors	0	0	0	0	0	0
Exposure with assigned debtors	8,273	(12)	8,261	5,810	0	5,810
Total	25,273	(2,297)	22,975	23,666	(5,018)	18,648

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

The following table presents a complete analysis of the outstanding of non-recourse receivables purchased, displaying impairment losses, and is broken down into "Performing exposures" and "Impaired Exposures". The impairment loss for "performing exposures" represents a collective impairment.

in thousands of euros

Type	12.31.2012			12.31.2011		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Impaired exposures	25,273	(2,297)	22,975	23,666	(5,018)	18,648
Performing exposures	1,208,099	(1,717)	1,206,383	1,510,337	0	1,510,337
Total	1,233,372	(4,014)	1,229,358	1,534,003	(5,018)	1,528,986

"Other receivables from customers" include a loan due from the Spanish subsidiary for Euros 4.5 million.

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 the charges incidental to setting up the company and starting-up activities on the Spanish market.

Farmafactoring España S.A., in 2012, has continued to purchase non-recourse receivables and has begun to provide credit management services to its customers with the aim of "covering" a specific segment of the Spanish market of health care receivables factoring, replicating the elements of the Italian operating model.

The ordinary shareholders' meeting of Farmafactoring España, held on March 12, 2013, approved the financial statements at December 31, 2012. In contrast to 2011, the subsidiary conducted operations for the full year 2012 and reported a loss of Euros 263 thousand. If intragroup costs are eliminated, there would be a breakeven for the 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 the appointment for a voluntary audit, Deloitte S.L. expressed an unqualified opinion on the financial statements of Farmafactoring España S.A. approved on March 12, 2013.

Property, plant and equipment

in thousands of euros

Items	12.31.2011	Net increases	Net decreases	12.31.2012	% of total
Buildings	8,235	50	(397)	7,888	59.33%
Land	3,685	0	0	3,685	27.72%
Plant	529	91	(208)	412	3.10%
Furniture and fixtures	357	24	(82)	299	2.25%
Electronic machines	741	322	(449)	614	4.62%
Other property, plant and equipment	544	17	(163)	397	2.99%
Total	14,091	504	(1,300)	13,295	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 during 2012 are "electronic machines" which mainly refer to hardware purchases.

Payables

in thousands of euros

Items	12.31.2012	12.31.2011	Change
Due to banks	737,000	1,117,385	(380,385)
Due to financial institutions	285,795	240,007	45,788
Due to customers	68,940	55,709	13,231
Total	1,091,735	1,413,101	(321,366)

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

"Due to financial institutions" refers to:
• the loan of Euros 56.0 million secured from International Factor Italia S.p.A. - IFITALIA, due on November 30, 2013;
• the loan of Euros 5 million secured from the parent, FF Holding S.p.A., regulated by normal market conditions, due on December 19, 2013;
• the liability of Euros 82.0 million payable to the vehicle company, FF Finance S.r.l., relating to the previously noted securitization transaction structured by Banca IMI and WestLB;
the liability of Euros 142.7 million payable to the vehicle company, Farmafactoring SPV I S.r.l., relating to the previously noted securitization transaction structured by Deutsche Bank.

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 with 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.

"Financial assets held for trading" show a nil balance at December 31, 2012, while the balance at December 31, 2011 was Euros 323 thousand. "Financial liabilities held for trading" total Euros 2,244 thousand compared with Euros 846 thousand at December 31, 2011.

The fair value changes above result in a negative impact on the income statement of Euros 1.7 million which is recognized in "Gains/losses on trading".

Provisions for risks and charges

At December 31, 2012, "Provisions for risks and charges" amount to Euros 3,123 thousand and mainly include provisions referring to personnel.

Provisions include primarily Euros 2,521 thousand for "Pension funds and similar obligations" under "Long-term employee benefits".

in thousands of euros

Items	12.31.2011	Increase	Decrease	12.31.2012
Long-term employee benefits	2,146	375	0	2,521
Total	2,146	375	0	2,521

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, 2012 shows an after-tax profit for the year of Euros 56,449 thousand.
The key line items in the income statement are commented below.

Net interest income

in thousands of euros

Items	2012	2011	Change	Change %
Maturity commissions	96,705	65,245	31,460	48.22%
Interest on late payments	50,820	57,209	(6,389)	(11.17%)
Other interest	3,577	2,406	1,171	48.67%
Total interest and similar income	151,102	124,860	26,242	21.02%
Interest and similar expenses	(49,963)	(56,112)	6,149	(10.96%)
Net interest income	101,139	68,748	32,392	47.12%
Net interest margin (%)	66,9%	55,1%		

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.

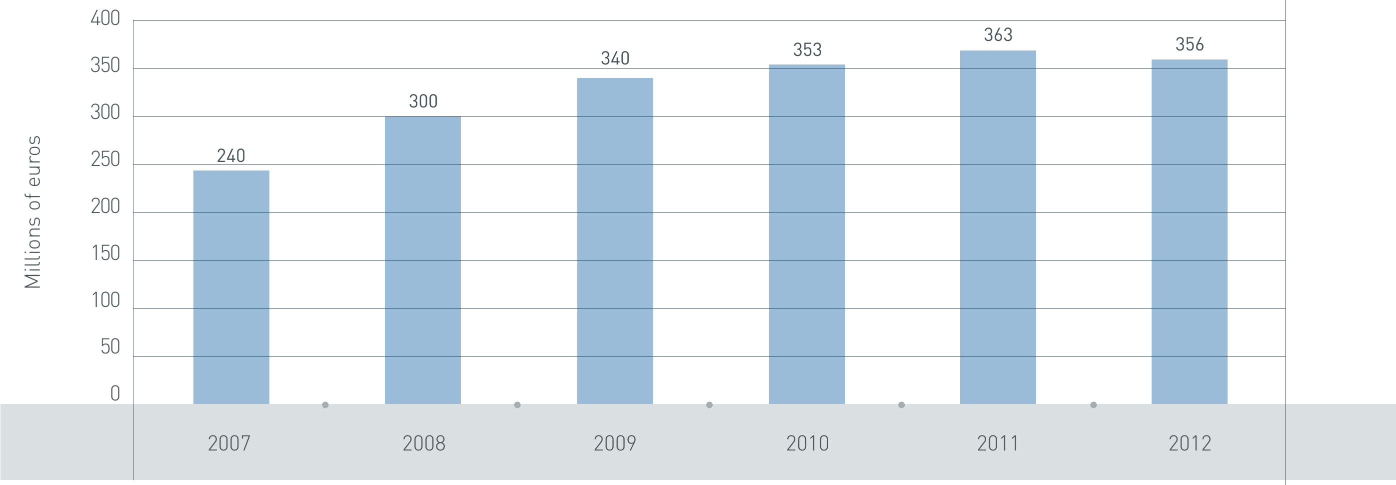
Maturity commissions referring to 2012 total Euros 96.7 million. This figure is about Euros 31.5 million higher than that recorded in 2011 and is due to the increase in rates beginning in 2011. Such rates were applied for commissions starting from the same year and continuing into the following year, resulting in a benefit for 2012 and the following years.
In fact, following the application of the amortized cost criterion, in 2012, commissions invoiced during the year and in prior years were recorded in the income statement at more favorable rates, whereas the effect in 2011 was the opposite.

"Interest and similar expenses" decreased by approximately Euros 6.1 million compared with 2011. Such reduction can be ascribed mainly to lower average debt and lower funds drawn from the structured lines such as the transactions for the sale of receivables.

"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.
Collections of "Interest on late payments" in 2012 total about Euros 50.8 million, of which Euros 3 million stems from regional agreements. In 2011, collections for interest on late payments came to Euros 57.2 million and included about Euros 16.5 million from regional agreements.

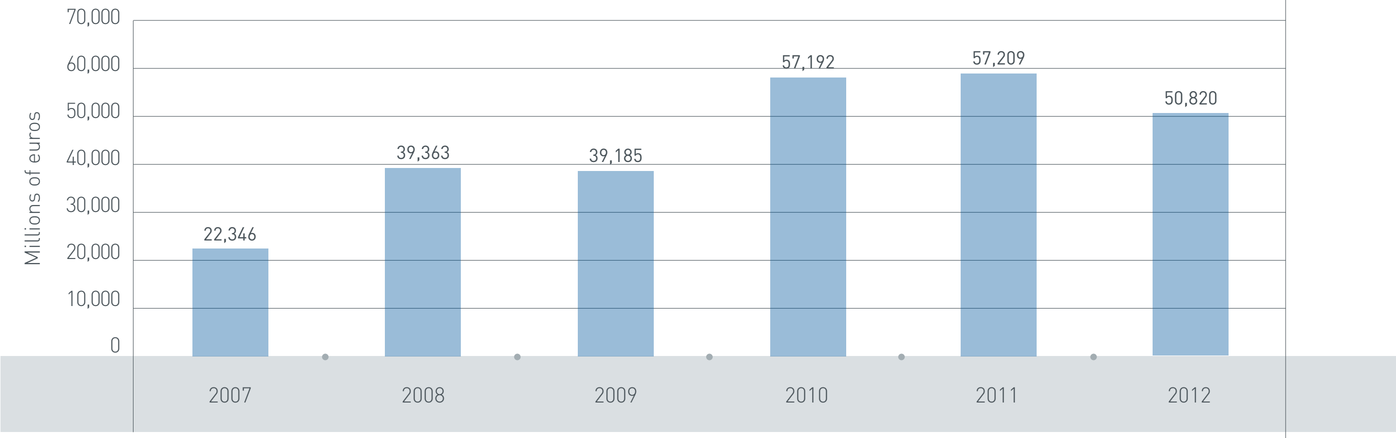
"Interest on late payments" accrued in 2012 on non-recourse receivables purchased amounts to approximately Euros 356 million and has been fully written off by an accrual for the same amount to the provision for interest on late payments. Such receivables were invoiced for about Euros 124 million.

Provision for Interest on late payments



The following graph gives the trend of interest collected on late payments in recent years.

Collections of interest on late payments



Net fee and commission income

The net fee and commission income balance is slightly lower compared with the figure in the prior year, owing to two factors. The first is represented by a decrease in "Commission income", determined by revenue recorded in 2011 relating to sub-servicing activity, and the second to an increase in "Commission charges" owing to higher banking fees and commissions.

in thousands of euros

Items	2012	2011	Change	Change %
Commission income	10,106	11,578	(1,473)	(12.72%)
Commission charges	(787)	(356)	(431)	120.89%
Net fee and commission income	9,319	11,222	(1,903)	(16.96%)

Gains/losses on trading

"Gains/losses on trading" refer to the recognition of the fair value of derivatives which in 2012 had a negative impact on the income statement of Euros 1.7 million, compared with a minimum negative impact in 2011 of about Euros 52 thousand.

Fair value changes in derivatives

in thousands of euros

Items	Carrying amount	Change
Financial assets held for trading		
Amount at 12.31.2011	323	
Amount at 12.31.2012	0	(323)
Financial liabilities held for trading		
Amount at 12.31.2011	846	
Amount at 12.31.2012	2,244	(1,398)
Gains/losses on trading		(1,721)

COMPANY 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 continual positive trend.

The data can be summarized as follows:

- growing trend of regulatory capital;
- steady increase in the number of staff over 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 review is presented below.

in millions of euros, unless otherwise indicated

Items	2012	2011	2010
Net interest income	101.1	68.7	84.6
Operating income	108.7	79.9	101.6
EBTDA	87.5	61.5	80.9
Profit for the year	56.4	40.2	53.3
R.O.E. (Return On Equity) (%)	30.9%	24.9%	35.3%
Operating income / Non-recourse volumes (%)	6.4%	3.9%	4.7%
Interest charges / Maturity commissions (%)	53.4%	86.0%	58.2%
Net interest income / Interest income and similar income (%)	66.9%	55.1%	64.9%
Non-performing (net of impairment losses) / Outstanding	0.96%	0.78%	0.01%
Regulatory capital / Weighted outstanding	14.4%	22.4%	45.9%
Equity	238.9	202.0	204.3
Regulatory Capital	177.7	175.0	153.1

As you can see, the ratio of Regulatory capital to the Weighted outstanding was affected by the aforementioned downgrade of Italy's sovereign credit rating which caused a downgrade in the class of credit quality.

In prospective terms as well, the Company's plans for growth highlight further significant margins for expansion, shaped partly by the start of the operating activities of Farmafactoring España S.A., which will bring a new vision to the group's development.

In terms of profit, it should also be mentioned that starting from the second half of 2011 the increase in interest rates was also introduced for the fees and commissions applied and produced a benefit for 2012 and future years.

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 2013, approved by the board of directors on February 27, 2013, 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 forecast for 2013, with budgeted net profit basically in line with that of the last few years and higher than the 2012 budget.

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 risk-based monitoring system 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 bank pools. The recent authorization from Bank of Italy to commence banking activities will allow the Company greater access to various sources of funding.

With an economic and financial context that is still difficult, the Company has further consolidated its position in the country 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.

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, Farmafactoring will continue its operating activities under the assumption of a going concern and, consequently, has drawn up these financial statements under such 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 *"Regulatory Instructions for the Financial Intermediaries registered in the Special List"* issued by Bank of Italy.

The regulation is based on three pillars.

Pillar I - 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 relevant*. 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 assure the Regulatory Authority 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 required is determined on the basis of current reporting regulations.

Regulatory capital is composed of Tier 1 Capital plus Tier 2 Capital, net of prudential filters and deductions.
Compliance with capital adequacy limits, for the Tier 1 Capital Ratio and the Total Capital Ratio is constantly monitored by the competent corporate bodies.
The Tier 1 Capital Ratio is the ratio of Tier 1 capital to the amount of risk-weighted assets.
The Total Capital Ratio is the ratio of regulatory capital to the amount of risk-weighted assets.

Farmafactoring's total exposure to risks at December 31, 2012, in relation to its business, is adequate according to the level of capitalization and the profile of risk identified.
The regulatory capital ratios are 11.4% for the Tier 1 Capital Ratio and 11.4% for the Total Capital Ratio.

in millions of euros, unless otherwise indicated

Details	Total 12.31.2012	Total 12.31.2011
Tier 1 capital	177.0	174.3
Tier 2 capital	0.7	0.7
Regulatory Capital	177.7	175.0
Risk-weighted assets	1.559.8	1.057.4
Tier 1 Capital Ratio (%)	11.4%	16.5%
Total Capital Ratio (%)	11.4%	16.6%

The decrease in the capital adequacy ratio compared with the prior year is attributable to the latest downgrade of Italy's sovereign credit rating in July 2012 which lowered the class of credit quality from class 2 to class 3, with a consequent increase in the risk weight coefficients of the receivables portfolios held. Specifically, the risk weight of the receivables from the Public Administration went from 50% to 100%, thus causing an increase in the amount of risk-weighted assets.

The downgrade of Italy's rating in October 2011 had already caused the credit quality class to be lowered from class 1 to class 2, generating an increase in the risk weight of the receivables from the Public Administration from 20% to 50%.

According to the provisions dictated by 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 the Bank of Italy, updated 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 II - 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, 2013 to Bank of Italy showing the updated risk management system for the determination of the adequacy of capital.

<u>Pillar III - Disclosure to the public</u>

By the date set for the publication of the annual 2012 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 presented below.

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
In January 2013, the Company received authorization from Bank of Italy to start banking activities following the application filed by in July 2012.

The above authorization for banking activities will not involve significant impacts on the banking regulatory ratios.

With reference to the non-performing positions commented in the paragraph on credit quality, the Company received a payment on January 3, 2013 of about Euros 4.7 million from the debtor Fondazione San Raffaele del Monte Tabor.

There were no other significant subsequent events occurring after the year end.

MOTION FOR THE APPROPRIATION OF PROFIT

Dear Shareholders,
The financial statements for the year ended December 31, 2012, which we submit for your approval, show a profit of Euros 56,449,281 and the board motions for the appropriation of profit as follows:

Profit for the year	56,449,281
- 5% to the legal reserve	2,822,464
To the shareholders:	
Euros per share to each of the 1,700,000 shares	53,550,000
To retained earnings	76,817

After the appropriation of profit, the legal reserve will be equal to Euros 19,044,130 and "retained earnings" will amount to Euros 31,463,323.

The Chairman
of the Board of Directors
Salvatore Messina

02

FINANCIAL STATEMENTS AT DECEMBER 31, 2012

BALANCE SHEET

in euros

Assets		12.31.2012	12.31.2011
10.	Cash and cash balances	2,175	2,004
20.	Financial assets held for trading	0	322,885
40.	Available-for-sale financial assets	23,492	23,492
60.	Receivables	1,341,669,091	1,609,543,936
90.	Investments	6,293,900	6,293,900
100.	Property, plant and equipment	13,295,356	14,091,112
110.	Intangible assets	1,297,819	1,133,777
120.	Tax assets	22,278,186	28,681,447
	a) current	*20,052,400*	*26,073,030*
	b) deferred	*2,225,786*	*2,608,417*
140.	Other assets	14,667,381	8,951,865
	TOTAL ASSETS	1,399,527,400	1,669,044,418

in euros

Liabilities and Equity	12.31.2012	12.31.2011
10. Payables	1,091,734,974	1,413,101,322
30. Financial liabilities held for trading	2,243,875	845,778
70. Tax liabilities	40,609,452	31,679,212
a) current	*29,272,151*	*20,411,805*
b) deferred	*11,337,301*	*11,267,407*
90. Other liabilities	22,250,844	18,033,404
100. Employee severance indemnities	696,022	712,385
110. Provisions for risks and charges:	3,123,479	2,702,844
a) pension funds and similar obligations	*2,521,220*	*2,146,373*
b) other provisions	*602,259*	*556,471*
120. Share capital	130,900,000	130,900,000
160. Reserves	47,696,497	27,046,029
170. Valuation reserves	3,822,976	3,822,976
180. Profit for the year	56,449,281	40,200,468
TOTAL LIABILITIES AND EQUITY	1,399,527,400	1,669,044,418

INCOME STATEMENT

in euros

Items		12.31.2012	12.31.2011
10.	Interest and similar income	151,102,428	124,859,960
20.	Interest and similar charges	(49,963,081)	(56,112,153)
	NET INTEREST MARGIN	101,139,347	68,747,807
30.	Fee and commission income	10,106,030	11,578,351
40.	Fee and commission charges	(786,671)	(356,130)
	NET FEES AND COMMISSIONS	9,319,359	11,222,221
60.	Gains / losses on trading	(1,720,981)	(52,309)
	OPERATING INCOME	108,737,725	79,917,719
100.	Impairment losses/reversals on:		
	a) financial assets	*462,091*	*807,203*
110.	Administrative expenses:		
	a) personnel costs	*(11,329,584)*	*(8,397,992)*
	b) other administrative expenses	*(14,788,350)*	*(13,802,732)*
120.	Impairment losses/reversals on property, plant and equipment	(1,287,483)	(1,372,606)
130.	Impairment losses/reversals on intangible assets	(466,344)	(430,539)
150.	Net provisions for risks and charges	(423,754)	786,141
160.	Other operating income/expenses	4,873,659	3,763,379
	OPERATING PROFIT	85,777,960	61,270,573
	PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	85,777,960	61,270,573
190.	Income taxes on profit from continuing operations	(29,328,679)	(21,070,105)
	PROFIT AFTER TAX FROM CONTINUING OPERATIONS	56,449,281	40,200,468
	PROFIT FOR THE YEAR	56,449,281	40,200,468

STATEMENT OF COMPREHENSIVE INCOME

in euros

Items	12.31.2012	12.31.2011
10. Profit for the year	56,449,281	40,200,468
110. Total Other comprehensive income after taxes	0	0
120. COMPREHENSIVE INCOME (Items 10 + 110)	56,449,281	40,200,468

STATEMENT OF CHANGES IN EQUITY

in euros

For the year ended December 31, 2011

	Opening balance 12.31.2010	Adjust. to opening balance	Opening balance 12.31.2011	Appropriation prior year profit		Change in equity during the year						Comprehen. income year 2011	Equity 12.31.2011
							Equity transactions						
				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		
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**

in euros

For the year ended December 31, 2012

				Appropriation prior year profit		Change in equity during the year							
							Equity transactions						
	Opening balance 12.31.2011	Adjust. to opening balance	Opening balance 12.31.2012	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 12.31.2012
Share capital	130,900,000		130,900,000										130,900,000
Share premium													
Reserves													
a) income reserves	27,046,029		27,046,029	20,650,468									47,696,497
b) other reserves													
Valuation reserves	3,822,976		3,822,976										3,822,976
Equity instruments													
Treasury shares													
Profit for the year	40,200,468		40,200,468	(20,650,468)	(19,550,000)							56,449,281	56,449,281
Equity	201,969,473		201,969,473	0	(19,550,000)	0	0					56,449,281	**238,868,754**

STATEMENT OF CASH FLOWS INDIRECT METHOD

in euros

	12.31.2012	12.31.2011
A. Operating Activities		
1. Operations	**58,160,048**	**39,681,911**
profit for the year (+/-)	56,449,281	40,200,468
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 (+/-)	(462,091)	(807,204)
impairment losses/reversals on property, plant and equipment and intangible assets (+/-)	1,752,224	1,803,145
net provisions and other costs/revenues (+/-)	420,634	(1,514,498)
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	**(269,347,566)**	**(46,520,308)**
financial assets held for trading	(322,885)	(485,594)
financial assets designated at fair value		
available-for-sale financial assets	0	(3,395)
due from banks	32,940,787	(15,824,495)
due from financial institutions	0	(48,915)
due from customers	(301,277,722)	(38,082,548)
other assets	(687,746)	7,924,639
3. Cash flows from/used by financial liabilities	**(306,836,933)**	**(41,991,818)**
due to banks	(380,385,426)	(188,213,656)
due to financial institutions	45,788,280	(10,847,918)
due to customers	13,230,797	177,971,307
securities issued		
financial liabilities held for trading	1,398,097	(433,286)
financial liabilities designated at fair value		
other liabilities	13,131,318	(20,468,265)
Net cash flows from/used in operating activities	**20,670,681**	**44,210,401**
B. Investing Activities		
1. Cash flows from	0	0
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	**(1,120,510)**	**(1,710,702)**
purchases of equity investments	0	(30,000)
purchases of held-to-maturity financial assets		
purchases of property, plant and equipment	(490,125)	(1,079,700)
purchases of intangible assets	(630,386)	(601,002)
purchases of business segments		
Net cash flows from/used in investing activities	**(1,120,510)**	**(1,710,702)**
C. Financing Activities		
issue/purchase of treasury shares		
issue/purchase of equity instruments		
payment of dividends and other	(19,550,000)	(42,500,000)
Net cash flows from/used in financing activities	**(19,550,000)**	**(42,500,000)**
Net increase (decrease) in cash and cash equivalents	**171**	**(301)**

RECONCILIATION

in euros

	12.31.2012	12.31.2011
Cash and cash equivalents at beginning of the year	2,004	2,305
Change in cash and cash equivalents from/used during the year	171	(301)
Cash and cash equivalents at end of the year	2,175	2,004

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 financial reporting standards
The financial statements have been prepared in accordance with the international accounting principles (IAS/IFRS) issued by the IASB, approved by the European Commission as established in EC Regulation 1606 of July 19, 2002, which regulates the coming into force of IAS/IFRS, as well as the relative interpretations (IFRIC), approved 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 and successive updates, also with reference to the "roneo" Letter of the Regulatory Authority no. 46586/13 of January 15, 2013.

Section 2 - Basis of preparation
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, 2012.

Section 4 - Other matters

Use of estimates and assumptions in the preparation of the financial statements
The preparation of the financial statements requires estimates and assumptions that involve 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 and assumptions 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 May 3, 2012 appointed "PricewaterhouseCoopers S.p.A." for the audit of the financial statements of the Company for the nine years from 2012 to 2020, pursuant to the provisions of art. 2409 bis of the Italian Civil Code and Legislative Decree 39/2010.

New accounting standards
Among the major changes introduced in the *"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 T.U.B., Payment Institutions, IMELs, SGRs and SIMs"* written by Bank of Italy and issued on March 13, 2012 and subsequent updates, 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, 2012;
C) amendment to IFRS 7: the introduction of 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, 2012 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 with regard 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 successive 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.

All purchases of non-recourse receivables refer to factoring transactions pursuant to Law 52/91. There were no transactions for purchases of impaired receivables.

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.

Performing receivables include receivables due from customers which, although past due more than 90 days, show no objective indication of impairment at an individual level.

Although the receivables are due almost entirely from the Public Administration, as in previous years, at the date of the interim and year-end financial statements, the Company, in accordance with IAS 39, carried out a collective impairment test of performing receivables in order to monitor the quantitative content.
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 assigned by the major rating agencies.

Under IAS 39, and for the purposes of an analytical evaluation, 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 time to collection 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 to estimate the recoverable amount whenever there is an indication that the carrying amount may be impaired.
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.

Derecognition criteria

Intangible assets are derecognized from the balance sheet 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 period.
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 time of termination of employment;
• discounting to present value, at the measurement date, the indemnity accrued to December 31, 2006 on the basis of financial assumptions.
The employee severance indemnity accruing from January 1, 2007, since it must be transferred to the INPS fund or supplementary pension funds, takes on the characteristics of a "defined contribution plan" since the employer's obligation ceases once payment is made and the contribution is recorded in the income statement on the accrual basis.

A.2.10 Provisions for risks and charges

Recognition and measurement criteria
Provisions for risks and charges include costs and expenses of a determinate nature considered certain or probable which, at the balance sheet date are uncertain as to amount or as to the date on which they will arise.

The provisions for risks and charges are only made when:
• there is a present obligation as a result of a past event;
• it is more likely than not that an outflow of resources will be required to settle the obligation;
• the amount of the obligation can be estimated reliably.

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

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

A.2.11 Recognition of revenues

The general criterion for the recognition of revenue components is the accrual basis.
Specifically:
• interest income on receivables due from customers is recognized at the effective return; similarly, commissions charged to the assignor for the purchase of non-recourse receivables are recognized as transaction revenues and are therefore part of the effective return of the receivable;
• interest on late payments is calculated on non-recourse receivables purchased to the extent determined in accordance with existing laws.
Given the uncertainty of the date of collection and the amount that will be paid, receivables for interest on late payments referring to the year are entirely written off by setting up a specific provision that is deducted from the corresponding asset account.
The amounts recognized in the income statement represent the actual amount received during the year;
• commissions on receivables collection management on behalf of assignors are recognized in two successive stages in relation to the time and nature of the service rendered:
- when the receivables are entrusted for credit management;
- when the receivables are collected.

A.3 - Fair value disclosure

All amounts are expressed in thousands of euros.

A.3.1 Transfers between portfolios

In 2012, as in 2011, no financial assets were 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		0		0
2. Financial assets at fair value through profit or loss				
3. Available-for-sale financial assets				
4. Hedging derivative assets				
Total		0		0
1. Financial liabilities held for trading		2,244		2,244
2. Financial liabilities at fair value through profit or loss				
3. Hedging derivative liabilities				
Total		2,244		2,244

In 2012, as in 2011, there were 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 with the fixed rate implicit in non-recourse fees and commissions relating to the activities for the purchase of non-recourse receivables.
At December 31, 2012, 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 with December 31, 2011 is recognized in income under gains/losses on trading (+/-).

At December 31, 2012, as for the prior year, there are no Financial assets/liabilities measured at fair value at "Level 3" or changes during the period involving such assets/liabilities.

A.3.3 Day one profit/loss disclosure

In 2012, as in 2011, no financial assets were reclassified.

At December 31, 2012, 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 with December 31, 2011.

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

Financial assets held for trading at December 31, 2012 and at December 31, 2011 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 12.31.2012			Total 12.31.2011		
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		0			323	
2. Credit derivatives						
Total B		0			323	
Total A+B		0			323	

At December 31, 2012, the fair value of the assets linked to the financial derivatives held for trading is Euros 0. In 2011, this amount was Euros 323 and the notional amount of reference was 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 12.31.2012	Total 12.31.2011
1. Over the counter						
Financial derivatives						
- Fair value	*0*				*0*	*323*
- Notional amount						145,000
Credit derivatives						
- Fair value						
- Notional amount						
Total	0				0	323
2. Other						
Financial derivatives						
- Fair value						
- Notional amount						
Credit derivatives						
- Fair value						
- Notional amount						
Total						
Total	0				0	323

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

Items / Amounts	Total 12.31.2012	Total 12.31.2011
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	0	323
b) Other counterparties		
Total	0	323

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 €)	No. of shares purchased	Nominal value per share (in €)	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, 2011

Head office	Bologna - Strada Maggiore n. 44
Share capital	Euros 6,605,829.68 i.v.
Equity	5,765,236
Loss for the year	(840,591)

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

Items / Amounts	Total 12.31.2012	Total 12.31.2011
Financial assets		
a) Governments and central banks		
b) Other public sector entities		
c) Banks		
d) Financial institutions		
e) Other issuers	23	23
Total	23	23

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		23		23
B. Increases				
B.1 Purchases				
B.2 Positive fair value changes				
B.3 Impairment reversals				
- through profit or loss				
- in equity				
B.4 Transfers from other portfolios				
B.5 Other changes				
C. Decreases				
C.1 Sales				
C.2 Reimbursements				
C.3 Negative fair value changes				
C.4 Impairment losses				
C.5 Transfers to other portfolios				
C.6 Other changes				
D. Ending balance		23		23

Section 6 - Receivables - Item 60
Euros 1,341,669

The item mainly includes receivables from debtors for factoring activities.

6.1 "Due from banks"
Euros 101,269

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 12.31.2012	Total 12.31.2011
1. Deposits and current accounts	101,139	68,328
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	130	
Total carrying amount	101,269	68,328
Total fair value	101,269	68,328

6.2 "Due from financial institutions"
Euros 1,226

Composition	Total 12.31.2012			Total 12.31.2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
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			1,226		
Total carrying amount	1,226			1,226		
Total fair value	1,226			1,226		

"Due from financial institutions" refers to the bonus to be collected for the management of ASL and AO receivables sold to the vehicle company Justine Capital S.r.l.
For purposes of prudential supervision, in the calculation of capital absorption and Tier 1 and Total Capital Ratios, this receivable is risk weighted at 1666.67% in relation to its degree of subordination.

6.3 "Due from customers"
Euros 1,239,174

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 1,206,383.
Included in this amount are "past due not impaired receivables", in accordance with the provisions in Circular 217 of August 5, 1996 – 10th update of July 24, 2012 *"Manual for the Compilation of Regulatory Reporting for the Financial Intermediaries, Payment Institutions and IMELs"*, for Euros 186,879.
Non-recourse receivables are mainly purchased when already past due and the principal portion of the receivables is deemed collectible.
Included in these receivables are receivables sold, for a total of Euros 387,749, 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 two transactions for the securitization of health care receivables: the first, for Euros 214,525 structured with Banca IMI and activated in June 2011, and the second, for Euros 173,224 structured with Deutsche Bank and activated in October 2012;
• "impaired assets", inclusive of exposure for purchases below face value, total Euros 22,975 and comprise:
  - Non-performing: the amount of Euros 11,820 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.
    Fondazione Monte Tabor in liquidation and in a composition of creditors, paid a first portion of about Euros 4.7 million with a value date of January 3, 2013.
    The other non-performing receivables have been completely written off by an adjusting provision account so that their net amount is nil.
  - Doubtful receivables, consisting entirely of "objective" doubtful receivables, for Euros 2,894;
  - Past due receivables, for Euros 8,261;
• other financing due from customers, for Euros 5,700, includes:
  - advances to assignors for Euros 1,200;
  - loan facility agreement, signed with the subsidiary Farmafactoring España S.A. on April 3, 2012, expiring on October 3, 2013 (18 months) regulated at normal market conditions.
    This loan facility is drawn for Euros 4,500 at December 31, 2012;
• receivables from assignors for legal fees to be recovered for Euros 2,128;
• receivables for commissions to be invoiced to assignors and for interest on extended payment terms to be charged to debtors, for Euros 1,988;

• receivables for interest on late payments. At December 31, 2012 the amount is Euros 122,162 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 8,261 and consist of receivables from central administrations and central banks, territorial entities, public sector entities, non-profit entities and companies which at December 31, 2012 are past due more than 90 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 90 days.
The increase in such receivables derives from the provisions of Circular 216 of August 5, 1996 and subsequent updates *"Regulatory Instructions for the Financial Intermediaries registered in the Special List"* written by Bank of Italy. Up to December 31, 2011, in fact, positions with central administrations and central banks, public sector entities and territorial entities were considered past due when the debtor had not made any payment for any positions due to the financial intermediary for more than 180 days. The period, as indicated in the same circular, represented a departure from the regulation of reference. Therefore, beginning January 1, 2012, past due exposures are considered those positions with public sector entities past due more than 90 days.

"Objective" doubtful receivables amount to Euros 2,894 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 11,820 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 impairment losses on receivables and any writebacks.

Receivables purchased below face value, net of writedowns, amount to Euros 2,897 at December 31, 2012.

At December 31, 2012, the realizable value of receivables purchased below face value is equal to Euros 1,136.

Composition	Total 12.31.2012			Total 12.31.2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
1. Finance leases						
of which, without final purchase option						
2. Factoring						
- with recourse				179		
- non-recourse	1,206,383		22,975	1,510,337		18,648
3. Consumer credit (including revolving cards)						
4. Credit cards						
5. Financing granted in relation to the payment services rendered						
6. Other financing	5,700			8,635		
of which:						
from guarantees and commitments						
7. Debt securities						
- structured						
- other						
8. Other assets	4,116			2,191		
Total carrying amount	1,216,199		22,975	1,521,342		18,648
Total fair value	1,216,199		22,975	1,521,342		18,648

Legal action that is undertaken is mainly aimed at accelerating credit recovery.

All purchases of non-recourse receivables refer to factoring transactions pursuant to Law 52/91. There were no transactions for purchases of impaired receivables.

Fair value
Due from customers in the financial statements mainly refers to the purchase of non-recourse receivables 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 0

Guaranteed receivables refer to advances made to assignors under transactions for the sale of recourse receivables.
The VE column (carrying amount of exposures) indicates the amount of advances and the VG column (fair value of guarantees) shows the receivables underlying those same advances.
For 2011, the amount of the value of the guarantees, equal to Euros 835 exceeded 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 12.31.2012						Total 12.31.2011					
	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					0	0					179	179
- 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					0	0					179	179

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 value is 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, 2012 is presented in the following table.
The financial statements of the Spanish company refer to the year ended December 31, 2012.

9.1 Investments: information

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

Denominazione imprese	Carrying amount	Investment holding %	Voting rights %	Headquart.	Total assets	Total revenues	Equity	Profit (loss)	Listed (Yes/No)
A. Subsidiaries wholly-owned									
1. Farmafactoring España S.A.	6,294	100%	100%	Madrid (E)	10,018	1,150	4,676	(263)	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	6,294		6,294
B. Increases			
B.1 Purchases			
B.2 Impairment reversals			
B.3 Revaluations			
B.4 Other changes			
C. Decreases			
C.1 Sales			
C.2 Impairment losses			
C.3 Other changes			
D. Ending balance	6,294		6,294

Section 10 - Property, plant and equipment - Item 100
Euros 13,295

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

Items / Measurement	Total 12.31.2012		Total 12.31.2011	
	Assets measured at cost	Assets measured at fair value or revalued	Assets measured 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	7,888		8,235	
c) furniture and fixtures	299		357	
d) for use in the business	1,026		1,270	
e) other	397		544	
1.2 purchased under finance leases				
a) land				
b) buildings				
c) furniture and fixtures				
d) for use in the business				
e) other				
Total 1	13,295		14,091	
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)	13,295		14,091	
Total (assets at cost and revalued)	13,295		14,091	

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	8,235	357	1,270	544	14,091
B. Increases						
B.1 Purchases		50	24	412	17	502
B.2 Impairment reversals						
B.3 Positive fair value changes allocated to:						
a) equity						
b) profit or loss						
B.4 Other changes				2		2
C. Decreases						
C.1 Sales				(12)		(12)
C.2 Depreciation		(397)	(82)	(646)	(163)	(1,288)
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	7,888	299	1,026	397	13,295

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 hardware.

Section 11 - Intangible assets - Item 110
Euros 1,298

11.1 Composition of item 110 "Intangible assets"

	12.31.2012		12.31.2011	
	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	1,298		1,134	
2.2 purchased under finance leases				
Total 2	1,298		1,134	
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)	1,298		1,134	
Total	1,298		1,134	

11.2 Intangible assets: annual changes

	Total
A. Beginning balance	1,134
B. Increases	
B.1 Purchases	643
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	(13)
C.2 Amortization	(466)
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	1,298

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 22,278

	Total 12.31.2012	Total 12.31.2011
A) Current tax assets		
IRAP on-account payments	3,629	4,207
IRES on-account payments	16,423	21,866
other		
Total	20,052	26,073
B) Deferred tax assets		
deferred tax assets	2,226	2,608
Total	2,226	2,608
Total	22,278	28,681

12.2 Composition of item 70 "Tax liabilities: current and deferred"
Euros 40,609

	Total 12.31.2012	Total 12.31.2011
A) Current tax liabilities		
prior year residual amount	396	403
IRAP and IRES provision charges	28,876	20,009
Total	29,272	20,412
B) Deferred tax liabilities	11,337	11,267
Total	40,609	31,679

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.

At this time, the only assessment referring to the year 2004, for Euros 381, was ruled on by the Regional Tax Commission of Lombardy which filed its verdict on October 19, 2012, a verdict which, contrary to the one issued by the Provincial Tax Commission, was in favor of the Tax Revenue Agency.

In the opinion of the tax consultant, the verdict appears arguable in that the Regional Tax Commission did not express itself on the merits of the tax claim but limited itself to a merely formal evaluation of the ruling handed down by the judges of the first instance; therefore, the Company has engaged a lawyer to prepare the appeal to the Court of Cassation.

Furthermore, it should be noted that, since the observation referred to the timing of the charges for depreciation, which can be translated into the transfer of the deductibility of the costs over time, any higher tax which could ultimately be assessed would not constitute costs for the Company in that they represent deferred taxes which may recovered in the following years.
Consequently, the Company did not consider it necessary to set aside an amount in the financial statements for the existing dispute since it believes that the observation is based upon a debatable interpretation of the law, believing that it would be reasonable to wait for the outcome of the case.

12.3 Changes in deferred tax assets (through profit or loss)
Euros 2,226

	Total 12.31.2012	Total 12.31.2011
1. Beginning balance	2,608	3,713
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	290	150
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	(672)	(1,255)
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	2,226	2,608

There are no changes in deferred tax assets pursuant to Law 214/2011.

12.4 Change in deferred tax liabilities (through profit or loss)
Euros 11,337

	Total 12.31.2012	Total 12.31.2011
1. Beginning balance	11,267	11,311
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	178	
2.2 New taxes or tax rate increases		2
2.3 Other increases		
3. Decreases		
3.1 Deferred tax liabilities canceled during the year		
a) reversals	(108)	(46)
b) due to changes in accounting policies		
c) other		
3.2 Tax rate reductions		
3.3 Other decreases		
4. Ending balance	11,337	11,267

Section 14 - Other assets - Item 140

14.1 Composition of item 140 "Other assets"
Euros 14,667

Details	Total 12.31.2012	Total 12.31.2011
Security deposits	16	16
Other receivables	1,019	679
Accrued income and prepaid expenses	13,632	8,257
Total	14,667	8,952

Prepaid expenses mainly refer to differences in the timing of contractual fees on financing and on structured finance transactions.

LIABILITIES AND EQUITY

Section 1 - Payables - Item 10
Euros 1,091,735

1.1 Payables

Items	Total 12.31.2012			Total 12.31.2011		
	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	737,000	61,034		1,117,385	54,152	
2. Other amounts due		224,761	68,940		185,855	55,709
Total	737,000	285,795	68,940	1,117,385	240,007	55,709
Fair value	737,000	285,795	68,940	1,117,385	240,007	55,709

"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 56.0 million, with a due date of November 30, 2013;
• 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 82.0 million relating to the previously noted securitization transaction structured with Banca IMI;
• the liability payable to the vehicle company Farmafactoring SPV I S.r.l. for Euros 142.7 million relating to the previously noted securitization transaction structured with Deutsche Bank.

Section 3 - Financial liabilities held for trading - Item 30
Euros 2,244

The amounts at December 31, 2012 and at December 31, 2011 refer to financial derivatives issued by banks.

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

	Total 12.31.2012					Total 12.31.2011				
	Fair value					Fair value				
Liabilities	L1	L2	L3	FV	VN	L1	L2	L3	FV	VN
A. Financial liabilities										
1. Payables										
2. Debt securities										
- bonds										
- structured										
- other										
- other securities										
- structured										
- other										
B. Derivatives										
1. Financial derivatives		2,244		2,244	278,000		846		846	174,000
2. Credit derivatives										
Total		2,244		2,244	278,000		846		846	174,000

At December 31, 2012, the value of the liabilities connected to the fair value of the financial derivatives held for trading is Euros 2,244 and the notional value of reference is Euros 278,000.

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

Types / Underlyings	Interest rates	Currency	Equity securities	Other	Total 12.31.2012	Total 12.31.2011
1. Over the counter						
Financial derivatives						
- Fair value	*2,244*				*2,244*	*846*
- Notional amount	278,000				278,000	174,000
Credit derivatives						
- Fair value						
- Notional amount						
Total	2,244				2,244	846
2. Other						
Financial derivatives						
- Fair value						
- Notional amount						
Credit derivatives						
- Fair value						
- Notional amount						
Total						
Total	2,244				2,244	846

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 22,251

9.1 Composition of item 90 "Other liabilities"

Details	Total 12.31.2012	Total 12.31.2011
Payables to suppliers	1,038	1,434
Invoices to be received	5,549	4,651
Payables to the parent	0	0
Payables to the subsidiary	0	0
Payables to the tax authorities	442	366
Payables to social security agencies	310	291
Payables to employees	2,164	833
Payables for receivables management	1,879	2,488
Collections pending allocation	5,361	1,411
Other payables	2,966	4,254
Accrued liabilities and deferred income	2,542	2,306
Total	22,251	18,034

"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, 2012 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 bank pool loan.

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

Section 10 - Employee severance indemnities - Item 100
Euros 696

10.1 "Employee severance indemnities": changes during the year

	Total 12.31.2012	Total 12.31.2011
A. Beginning balance	712	699
B. Increases		
B.1 Provision for the year	254	271
B.2 Other increases		
C. Decreases		
C.1 Payments made	(21)	(6)
C.2 Other decreases	(249)	(252)
D. Ending balance	696	712

10.2 "Other information"
The liability recognized in the financial statements at December 31, 2012 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 accrued and not transferred to supplementary pension funds or to the INPS treasury fund.

Section 11 - Provisions for risks and charges - Item 110
Euros 3,123

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

	Total 12.31.2012	Total 12.31.2011
Pension funds and similar obligations	2,521	2,146
Other provisions	602	557
Total	3,123	2,703

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

	Total 12.31.2012	Total 12.31.2011
Beginning balance	2,703	4,217
Increases		
Provision for the year	423	346
Decreases		
Use during the year	(3)	(1,860)
Ending balance	3,123	2,703

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 182,419

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)	

At December 31, 2012, share capital consists of 1,700,000 ordinary shares of nominal 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.

	12.31.2012	Possibility of utilization (a)	Amount available	Summary of utilization in the last three years	
				For absorption of losses	For other reasons
Share capital	130,900				
Reserves	47,696				
- Legal reserve	16,222	B			
- Extraordinary reserve	88	A,B,C	88		
- Retained earnings	31,386	A,B,C	31,386		(*) 40,800
Valuation reserves	3,823				
- Other	3,823	A,B,C	3,823		
Total Share capital and Reserves	182,419		35,297		40,800

(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 90,100 in 2008 to Euros 130,900 in 2011.

Changes in Reserves are as follows:

	Legal reserve	Retained earnings	Other reserves: Extraordinary	Total
A. Beginning balance	14,212	12,746	88	27,046
B. Increases				
B.1 Appropriation of profit	2,010	18,640		20,650
B.2 Other changes				
C. Decreases				
C.1 Use for the year				
- absorption of losses				
- distribution				
- transfer to share capital				
C.2 Other changes				
D. Ending balance	16,222	31,386	88	47,696

Legal reserve
The increase in the legal reserve of Euros 2,010 compared with the prior year is due to the appropriation of the profit for the year ended December 31, 2011, as approved by the ordinary shareholders' meeting held on May 3, 2012

Retained earnings
The increase in retained earnings of Euros 18,640, compared with the prior year, is due to the appropriation of the profit for the year ended December 31, 2011, approved by the ordinary shareholders' meeting held on May 3, 2012.

Valuation reserves
The balance of the "Valuation reserves" is Euros 3,823, unchanged compared with December 31, 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 151,102

Items / Technical forms	Debt securities	Financing	Other transactions	Total 12.31.2012	Total 12.31.2011
1. Financial assets held for trading					
2. Financial assets at fair value through profit or loss					
3. Available-for-sale financial assets					
4. Held-to-maturity financial assets					
5. Receivables					
5.1 Due from banks		1,447		1,447	936
5.2 Due from financial institutions					
5.3 Due from customers		98,824	50,831	149,655	123,924
6. Other assets			0	0	0
7. Hedging derivatives					
Total		100,271	50,831	151,102	124,860

Interest was recognized during the year for Euros 7.5 on positions classified as "impaired" at December 31, 2012.

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

Interest income "Due from customers" for financing totals Euros 98,824 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 yield originating from estimated cash flows.

Interest income "Due from customers" for other transactions includes Euros 50,820 of interest on late payments collected during the year.

1.3 Composition of item 20 "Interest and similar charges"
Euros 49,963

Items / Technical forms	Financing	Securities	Other	Total 2012	Total 2011
1. Due to banks	34,117		0	34,117	45,370
2. Due to financial institutions	2,403		9,798	12,201	8,819
3. Due to customers			559	559	313
4. Securities outstanding					
5. Financial liabilities held for trading			3,086	3,086	1,610
6. Financial liabilities at fair value through profit or loss					
7. Other liabilities			0	0	0
8. Hedging derivatives					
Total	36,520		13,443	49,963	56,112

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

Interest charges "Due to financial institutions - Other" include charges on the securitization transactions and on the bank pool loan transaction.

Interest charges "Due to customers" includes amounts that will be paid to the assignors because of the different value dates on 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 10,106

Details	Total 2012	Total 2011
1. Finance lease transactions		
2. Factoring transactions		
3. Consumer credit		
4. Merchant banking activities		
5. Guarantees provided		
6. Services for:		
- funds management on behalf of third parties		
- currency trading		
- product distribution		
- other		
7. Collection and payment services	10,106	11,578
8. Securitization servicing		
9. Other fees and commissions (to specify)		
Total	10,106	11,578

"Collection and payment services" include sub-servicing fees and commissions for Euros 43 in 2012 and Euros 30 in 2011.

2.2 Composition of item 40 "Fee and commission charges"
Euros 787

Details / Sectors	Total 2012	Total 2011
1. Guarantees received		
2. Distribution of services by third parties		
3. Collection and payment services		
4. Other commissions and fees (to specify):		
- bank current account charges	272	193
- commissions and fees for bank current account funds availability	129	133
- other banking expenses	386	30
Total	787	356

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

4.1 Composition of item 60 "Gains/losses on trading"
Euros (1,721)

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				(1,721)	(1,721)
5. Credit derivatives					
Total				(1,721)	(1,721)

Fair value changes in derivatives

Items	Carrying amount	Change
Financial assets held for trading		
Amount at December 31, 2011	323	(323)
Amount at December 31, 2012	0	
Financial liabilities held for trading		
Amount at December 31, 2011	846	
Amount at December 31, 2012	2,244	(1,398)
Gains/losses on trading		(1,721)

Section 8 - Impairment losses/reversals - Item 100
Euros (462)

8.1 "Impairment losses/reversals on receivables"
Euros (462)

Items / Impairment losses / reversals	Impairment losses		Impairment reversals		Total 2012	Total 2011
	specific	portfolio	specific	portfolio		
1. Due from banks						
- for leasing						
- for factoring						
- other						
2. Due from financial institutions						
Impaired receivables purchased:						
- for leasing						
- for factoring						
- other						
Other receivables:						
- for leasing						
- for factoring						
- other						
3. Due from customers						
Impaired receivables purchased:						
- for leasing						
- for factoring						
- other						
Other receivables						
- for leasing						
- for factoring	1,234	1,717	(3,413)		(462)	(811)
- for consumer credit						
- other						
Total	1,234	1,717	(3,413)		(462)	(811)

8.2 "Impairment losses/reversals on available-for-sale financial assets"
Euros 0

Items / Impairment losses / reversals	Impairment losses	Impairment reversals	Total 2012	Total 2011
1. Debt securities				
2. Equity securities and units in investment funds			0	4
3. Financing				
Total			0	4

Section 9 - Administrative expenses - Item 110

Euros 26,118

9.1 Composition of item 110.a "Personnel costs"

Euros 11,330

Items / Sectors	Total 2012	Total 2011
1. Employees		
a) wages and salaries	6,969	4,908
b) social security charges	2,141	1,541
c) employee severance indemnity charges		
d) pension charges		
e) provision for employee severance indemnity	236	260
f) provision for pension and similar obligations		
- defined contribution		
- defined benefit		
g) payments to supplementary external pension funds		
- defined contribution	74	64
- defined benefit		
h) other expenses	551	627
2. Other employees in service	120	273
3. Directors and statutory auditors	1,239	723
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	11,330	8,398

9.2 Average number of employees by category

number

Category	Average number 2012	Average number 2011
Managers	7	5
Supervisors	30	28
Remaining staff	65	62
Total	102	95

9.3 Composition of item 110.b "Other administrative expenses"
Euros 14,788

Details	Total 2012	Totale 2011
Legal fees	3,838	3,289
Data processing costs	910	558
External receivables management services	922	881
Compensation to Supervisory Body	83	83
Legal fees for receivables under management	1,031	935
Notary fees	327	483
Notary fees to be recovered	157	110
Corporate hospitality and donations	784	763
Maintenance expenses	1,016	781
Non-deductible VAT	1,443	1,453
Other indirect taxes and duties	151	91
Consulting fees	2,046	2,295
Office operating expenses	576	548
Other expenses	1,504	1,533
Total	14,788	13,803

This item includes legal fees for Euros 1,031 and notary fees for Euros 157 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 2012 mainly include the following:

Details	Totale 2012
Internal audit fees (external firm)	58
Data processing fees (external firms)	963
Collection fees (external firms)	922
Organization services fees (external company)	180

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

10.1 Composition of item 120 "Impairment losses/reversals on property, plant and equipment"
Euros 1,288

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	397			397
c) furniture and fixtures	82			82
d) used in the business	646			646
e) other	163			163
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	1,288			1,288

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

11.1 Composition of item 130 "Impairment losses/reversals on intangible assets"
Euros 466

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	466			466
2.2 purchased under finance leases				
3. Assets purchased under finance leases				
4. Assets under operating leases				
Total	466			466

Section 13 - Net provisions for risks and charges - Item 150
Euros 424

13.1 Composition of item 150 "Net provisions for risks and charges"
Provision charges were recorded, compared with the prior year, as follows:

Details	Total 2012	Totale 2011
Provision for pension funds and similar obligations	375	18
Other provisions	49	(804)
Total	424	(786)

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

The reversal of Euros 800 in "Other provisions", recorded in 2011, derived from the settlement agreement in the bankruptcy of the company Enterprise Digital Architects S.p.A. This agreement, in fact, provided for the exclusion of the clawback risk.

Section 14 - Other operating income/expenses - Item 160
Euros 4,874

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

Details	Total 2012	Total 2011
1. Operating income		
- Recovery of legal fees for purchases of non-recourse receivables	1,474	675
- Recovery of legal fees for credit management of receivables	1,031	935
- Receivables realized at other than face value	1,136	1,344
- Prior year items	790	516
- Recovery of notary expenses from assignors	157	110
- Royalties from Farmafactoring España S.A.	200	200
- Other income	400	288
Total (1)	5,188	4,068
2. Operating expenses		
- Prior period items	(233)	(239)
- Rounding and rebates	(81)	(65)
- Other expenses	0	(1)
Total (2)	(314)	(305)
Total (1+2)	4,874	3,763

Section 17 - Income taxes on profit from continuing operations - Item 190
Euros 29,329

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

	Total 2012	Totale 2011
1. Current income taxes	28,876	20,009
2. Adjustment to current income taxes of prior years		
3. Reduction in current income taxes for the year		
4. Changes in deferred tax assets	383	1,105
5. Changes in deferred tax liabilities	70	(44)
Income taxes for the year	29,329	21,070

17.2 Reconciliation of theoretical tax and effective tax charge

Details	IRES	IRAP
Taxable profit used for tax calculations	85,778	93,531
Theoretical tax charge 27.50% IRES – 5.57% IRAP	23,589	5,210
Non-deductible permanent differences	1,847	2,002
Deductible IRAP quota	(406)	
Temporary differences deductible in future years	961	
Reversal of temporary differences referring to future years	(2,158)	(1,815)
Taxable profit	86,022	93,718
Current income taxes for the year: 27.50% IRES - 5.57% IRAP	23,656	5,220

19 - Income statement: Other information

19.1 Analytical composition of interest income and fee and commission income
Euros 161,208

Items / Counterparty	Interest income			Fee and commission income			Total 2012	Total 2011
	Banks	Financial institut.	Custom.	Banks	Financial institut.	Custom.		
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			98,632				98,632	65,245
- on receivables purchased below original amount								
- for other financing	1,447	0	51,023		43	10,063	62,576	71,193
3. Consumer credit								
- personal loans								
- specific loans								
- garnishing of one-fifth								
4. Guarantees and commitments								
- commercial nature								
- financial nature								
Total	1,447	0	149,655		43	10,063	161,208	136,438

"Interest income from customers for factoring on non-recourse receivables purchased" amounts to Euros 98,632 and consists mainly of fees and commissions charged to assignors.
"Interest income from customers for factoring for other financing" amounts to Euros 51,023 and includes late interest collected during the year for Euros 50,820.
"Fee and commission income from customers for factoring for other financing" amounts to Euros 10,063 and refers to activities for the management of receivables.

Part D - Other information

All amounts are expressed in thousands of euros.

Section 1 – Specific references to the Company's activities

B. FACTORING AND SALES OF RECEIVABLES

B.1 - Gross amount and carrying amount

B.1.1 - Factoring transactions

Items / Amounts	Total 12.31.2012			Total 12.31.2011		
	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
- exposures with assigned debtors (non-recourse)	1,208,099	(1,717)	1,206,383	1,510,337		1,510,337
2. Impaired assets						
2.1 Non-performing						
- exposures with assignors (with recourse):						
- sale of future receivables						
- other						
- exposures with assigned debtors (non-recourse):						
- purchases below face value	7	(1)	6	6		6
- other	14,095	(2,280)	11,814	17,008	(5,018)	11,990
2.2 Doubtful						
- exposures with assignors (with recourse):						
- sale of future receivables						
- other						
- exposures with assigned debtors (non-recourse):						
- purchases below face value	1	(0)	1	0		0
- other	2,897	(4)	2,893	842		842
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 Past due						
- exposures with assignors (with recourse):						
- sale of future receivables						
- other						
- exposures with assigned debtors (non-recourse):						
- purchases below face value	33	(0)	33	235	0	235
- other	8,240	(12)	8,228	5,575	0	5,575
Totale	1,233,372	(4,014)	1,229,358	1,534,182	(5,018)	1,529,164

All purchases of non-recourse receivables refer to factoring transactions pursuant to Law 52/91. There were no transactions for purchases of impaired receivables, therefore the B.1.2 table is not presented.

"Exposures with assigned debtors (non-recourse)", net, under "Performing assets" refer to receivables from assigned debtors and amount to Euros 1,206,383. These exposures include "past due not impaired receivables" for Euros 186,879 and fall in the category of past due more than 90 days, but are not considered impaired according to prudential supervision regulations, and those past due and/or overdrawn not more than 90 days as defined by Bank of Italy's Communication of June 1, 2012 on the subject of "Past due and/or overdrawn impaired exposures".

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".

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 – 10th update of July 24, 2012 *"Manual for the Compilation of Regulatory Reporting for the Financial Intermediaries, Payment Institutions and IMELs"*.

At December 31, 2012, the realizable value of receivables purchased below face value is equal to Euros 1,136.

Past due.
These are exposures with central administrations and central banks, territorial entities, public sector entities, non-profit entities and companies which at December 31, 2012 are past due more than 90 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 90 days.

At December 31, 2012, the total of past due exposures amounts to Euros 8,261 thousand.

The increase in past due exposures derives from the provisions of Circular 216 of August 5, 1996 and subsequent updates, *"Regulatory Instructions for the Financial Intermediaries registered in the Special List"*, written by Bank of Italy. Until December 31, 2011, in fact, exposures with central administrations and central banks, public sector entities and territorial entities, were considered past due when the debtor had not made any payment for any debt positions due to the financial intermediary for more than 180 days. The period, as indicated in the same circular, represented a departure from the law. Therefore, beginning January 1, 2012, past due exposures are considered those positions with the public sector past due more than 90 days.

Restructured.
These are exposures 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, 2012, Farmafactoring does not have any positions classified as restructured receivables.

Doubtful.
These are exposures with parties that are in temporary situations of objective difficulty which are expected to pass within a reasonable period of time.
Doubtful exposures also include so-called "objective" doubtful receivables, that is, exposures that present the following conditions:
• do not belong to the "central administrations and central banks", "territorial entities" and "public sector entities" portfolios;
• are past due on a continuing basis more than 270 days;
• the total amount of past due receivables represents a portion equal to at least 10% of the entire exposure.

At December 31, 2012, the total of doubtful receivables, net, is Euros 2,894 thousand and consists solely of "objective" doubtful receivables.

Non-performing.
These are exposures 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, 2012, the total of non-performing receivables, net of writedowns due to estimated impairment losses, amounts to Euros 11,820, a figure in line with the previous year. This amount corresponds to the exposure with the debtor Fondazione Monte Tabor in liquidation and admitted to the procedure for the composition of creditors. After an agreement was recognized by the composition of creditors (approved by the meeting of creditors on March 19, 2012, and subsequently decreed by the Court of Milan on May 3, 2012, by decree filed on May 10, 2012), for the principal portion as well as the late interest portion, 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.
Moreover, Fondazione Monte Tabor under liquidation and in a composition of creditors, made the first payment of about Euros 4.7 million on January 3, 2013.

Compared with December 31, 2011, gross non-performing exposures went from about Euros 17.0 million to about Euros 14.1 million due to the payments received from the liquidators of Fondazione Ordine Mauriziano and from the debtors connected with the bankruptcy of Enterprise Digital

Architects S.p.A. This reduction was partially offset by the addition to non-performing receivables of another four debtors for an amount of approximately Euros 700 thousand, although entirely written off during the year.
The other non-performing exposures are therefore entirely written off by a provision account so that the net amount is nil.

B.2 - Breakdown by residual life

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

Time frame	Advances		Outstanding	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
- on demand	0	179	0	835
- to 3 months				
- 3 to 6 months				
- 6 months to 1 year				
- after 1 year				
- unspecified maturity				
Total	0	179	0	835

B.2.2 - Non-recourse factoring transactions: exposure

Time frame	Exposure	
	12.31.2012	12.31.2011
- on demand	187,275	215,348
- to 3 months	20,328	12,945
- 3 to 6 months	26,220	24,894
- 6 months to 1 year	115,165	111,708
- after 1 year	880,370	1,164,090
- unspecified maturity		
Total	1,229,358	1,528,985

In completing the table, the new classification criteria were used for residual life introduced by Circular 217 of August 5, 1996 – 10th update of July 24, 2012 *"Manual for the Compilation of Regulatory Reporting for the Financial Intermediaries, Payment Institutions and IMELs"*. The criteria call for the following:

• classification of past-due not impaired receivables as "on demand";
• allocation of past-due impaired receivables to the pertinent category of residual life according to estimates of the recovery of the underlying cash flows.

B.3 - Changes in impairment losses

B.3.1 - Factoring transactions

Items	Beginning impairm. losses	Increases				Decreases					Ending impairm. losses
		Impairment losses	Losses on sale	Transfers from another status	Other positive changes	Impairment reversals	Income on sale	Transfers from another status	Derecognition	Other negative changes	
Impaired assets - details											
Exposure with assignors											
- Non-performing											
- Doubtful											
- Restructured											
- Past due											
Exposure with assigned debtors											
- Non-performing	5,018	831				(3,413)			(154)		2,281
- Doubtful	0	4									4
- Restructured											
- Past due	0	12									12
On portfolio of other assets											
- Exposure with assignors											
- Exposure with assigned debtors	0	1,717									1,717
Total	5,018	2,563				(3,413)			(154)		4,014

The impairment reversals refer to the payments received from the Liquidators of Fondazione Ordine Mauriziano for Euros 2,582, and from the debtors connected with the bankruptcy of Enterprise Digital Architects S.p.A. for Euros 831.

It should be noted that the input parameters for the collective impairment model led, as a result of the continual downgrades of Italy's sovereign credit rating, to amounts that are no longer negligible, and therefore the Company recorded a collective impairment charge on the portfolio of Euros 1.7 million.
Impairment losses on non-performing receivables refer to the positions classified in such status during the year, and completely written off.

B.4 - Other information

B.4.1 - Turnover of receivables under factoring transactions

in millions of euros

Items	Total 12.31.2012	Total 12.31.2011
1. Non-recourse transactions	1,706	2,050
- of which: purchases below face value	3	0
2. With recourse transactions		
Total	1,706	2,050

B.4.2 - Collection services

in millions of euros

Items	Total 12.31.2012	Total 12.31.2011
Receivables referring to credit collection services during the year	2,613	2,520
Amount of receivables outstanding at the end of the reporting year	2,531	2,847

D. GUARANTEES PROVIDED AND COMMITMENTS

D.1 - Amount of guarantees provided and commitments

Transactions	Amount 12.31.2012	Amount 12.31.2011
1. Guarantees issued of a financial nature		
a) Banks		
b) Financial institutions		
c) Customers		
2. Guarantees issued of a commercial nature		
a) Banks		
b) Financial institutions		
c) Customers		
3. Irrevocable commitments to distribute funds		
a) Banks		
i) usage certain		
ii) usage uncertain		
b) Financial institutions		
i) usage certain		
ii) usage uncertain		
c) Customers		
i) usage certain		
ii) usage uncertain	2,000	0
4. Underlying obligations for credit derivatives: sales of protection		
5. Assets used to guarantee obligations of third parties		
6. Other irrevocable commitments		
Total	2,000	0

This amount refers to the loan facility agreement signed with the subsidiary Farmafactoring España S.A., drawn at December 31, 2012 for Euros 4.5 million on an agreed amount of Euros 6.5 million.

Section 2 - Asset securitization and sales transactions

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

C.1 - Securitization transactions

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

QUALITATIVE DISCLOSURE

Strategies, processes and objectives
During the second half of 2011, the securitization transaction which the Company put in place with Banca IMI and WestLB was finalized; this was a 36-month transaction maturing in June 2014 and referred to the sale of non-recourse receivables due from ASLs and AOs, aimed at the diversification of funding activities.

Characteristics of the transaction
In 2011, the receivables were sold under ex Law 130/99 to a vehicle company, 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.

During the first 30 months of the transaction, revolving sales of receivables 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 ratio (equal to 129.45% of the amount of the securities issued at December 31, 2012) 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 itself and, therefore, the securitization risk is included in the credit risk.

QUANTITATIVE DISCLOSURE

Type of financial instruments held
Farmafactoring holds securities for a total of Euros 100 million, purchased during the second half of the year from Compass, following the WestLB Group's manifestation of interest to divest the securities after Moody's downgrade of Italy's sovereign credit rating in July 2012.

Sub-servicer activity
Farmafactoring, having the mandate for collection, recovers and collects the receivables on behalf of the servicer Zenith Service S.p.A.
With regard to all the sales of receivables made to FF Finance S.r.l., at December 31, 2012, the Company managed a nominal outstanding amount of about Euros 239.5 million.

Disclosure on the transaction with "Deutsche Bank - Farmafactoring SPV I S.r.l."

QUALITATIVE DISCLOSURE

Strategies, processes and objectives
In the fourth quarter of 2012, the Company put in place a securitization transaction with the Deutsche Bank Group for the non-recourse sale of receivables due from the ASLs and AOs, aimed at the diversification of funding activities.

Characteristics of the transaction
The receivables were sold under ex Law 130/99 to a vehicle company, Farmafactoring SPV I S.r.l., which financed the purchase by issuing securities for Euros 150 million, subscribed to by Deutsche Bank AG.
The transaction provides for a revolving period of 12 months, renewable for another 12 months upon agreement between the parties. During the first 12 months of the transaction, revolving sales will be made against collections on receivables, in order to maintain the collateralization ratio established in the contract.
At the end of the revolving period (which can be renewed for another 12 months) there will be an amortization period in correlation to the residual life of the outstanding receivables up to the full reimbursement of the securities.

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 ratio (equal to 133.33% of the amount of the securities issued) and the subordinated loan carried by Farmafactoring.
At the end of the transaction, subsequent to the reimbursement of the securities and other senior expenses on the transaction, all the remaining amounts from the collection of the receivables

sold, including late interest, will be due to Farmafactoring as the subscriber of the subordinated loan. In light of this condition, together with the right of the Company to repurchase and/or substitute the receivables at any time, all the risks and rewards of the transaction were not transferred to the assignee but remain with Farmafactoring itself and, therefore, the securitization risk is included in the credit risk.

QUANTITATIVE DISCLOSURE

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 Service S.p.A.
With regard to all the sales of receivables made to Farmafactoring SPV I S.r.l., at December 31, 2012, the Company managed a nominal outstanding amount of about Euros 187.5 million.

Disclosure on the transaction with "BayernLB - Farmafactoring SPV II S.r.l."

QUALITATIVE DISCLOSURE

Strategies, processes and objectives
During the last quarter of 2012, the preliminary documents (Letter of Appointment and Term-Sheet) were signed for the securitization transaction structured by the Company with the Arranger Bank BayernLB AG. This is a transaction with an estimated term of 30 months, with the sale of non-recourse receivables due from ASLs and AOs, aimed at the diversification of funding activities.

Characteristics of the transaction
The receivables will be sold under ex Law 130/99 to a vehicle company, Farmafactoring SPV II S.r.l., which will finance the purchase by issuing securities for Euros 70 million, subscribed to entirely by CORELUX, a vehicle of the BayernLB Group, using liquidity made available by BayernLB AG.

During the first 18 months of the transaction (which can be renewed annually), revolving sales will be made against collections on receivables, in order to maintain the collateralization ratio established in the contract.

At the end of the revolving period, there will be an amortization period of 12 months 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 ratio (equal to 129.87% 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 30th month.
Considering the above, all the risks and rewards of the transaction were not transferred to the assignee but remain with Farmafactoring itself and, therefore, the securitization risk is included in the credit risk.

QUANTITATIVE DISCLOSURE

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.
The first sale of receivables was made on January 31, 2013 for a total of Euros 91 million, against the successful conclusion of the issue of securities for a total of Euros 70 million on February 22, 2013.

C.2 - Sale transactions

A. Financial assets sold and not fully derecognized

QUALITATIVE DISCLOSURE

The disclosure required by IFRS 7.42D.a.b.c is provided below in respect of the nature of the assets transferred, the relationship between them and the associated liabilities and relative risks to which the Company is exposed.

As previously described, at December 31, 2012, the following transactions are outstanding for the securitization of health care receivables sold and not derecognized since all the risks and rewards of ownership were not transferred upon sale.

• The securitization transaction, begun in June 2011, structured with Banca IMI and in which the receivables were sold to the vehicle company FF Finance S.r.l. and not derecognized from assets.

With regard to this transaction, the amount of receivables sold and not derecognized amounts to Euros 214,525 thousand.

• in October 2012 another securitization transaction structured with Deutsche Bank began. Similarly to the transaction with the vehicle company FF Finance S.r.l., the receivables were sold to the vehicle company Farmafactoring SPV I S.r.l., and not derecognized from assets. With regard to this transaction, the amount of receivables sold and not derecognized amounts to Euros 173,224 thousand.

QUANTITATIVE DISCLOSURE

C.2.1 - Financial assets sold and not derecognized: amount in financial statements and full amount

	Financial assets held for trading			Financial assets measured at fair value through profit or loss			Available-for-sale financial assets			Held-to-maturity financial assets			Receivables			Total	
Technical forms / Portfolio	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31.12.2012	31.12.2011
A. Assets													387,749			387,749	243,475
1. Debt securities																	
2. Equity securities										X	X	X	X	X	X		
3. Units in investment funds										X	X	X	X	X	X		
4. Financing													387,749			387,749	243,475
B. Derivative instruments				X	X	X	X	X	X	X	X	X	X	X	X		
Total 12.31.2012													387,749			387,749	
of which impaired																	
Total 12.31.2011													243,475				243,475
of which impaired																	

Key:
A = financial assets sold recorded in full (amount in financial statements)
B = financial assets sold recorded partially (amount in financial statements)
C = financial assets sold recorded partially (full amount)

C.2.2 - Financial liabilities compared with financial assets sold and not derecognized: amount in financial statements

Liabilities / Asset portfolio	Financial assets held for trading	Financial assets measured at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity financial assets	Receivables	Total
1. Due to customers					**224,761**	**224,761**
a) compared with assets recorded in full					224,761	224,761
b) compared with assets recorded partially						
Total 12.31.2012					**224,761**	**224,761**
Total 12.31.2011					**185,855**	**185,855**

Section 3 - Disclosure on risks and related risk management policies

SECTION 3.1 - CREDIT RISK

QUALITATIVE DISCLOSURE

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)
- Client (assignor)
- Debtor (assigned)

Also with regard to the assessment of credit risk, it should be noted that the Company did not engage in activities for the purchase of impaired receivables, including those carried out pursuant to the cited Law 52/91.

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, approved 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, ECAIs, or ECAs, 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 and on July 13, 2012, the weighting of the "public sector entities" went from 20 to 50% and, finally, to 100%, 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, 2012 is equal to Euros 79,056.

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 10% of regulatory capital;
• each risk-weighted position must be within the "individual limit" of 25% of regulatory capital.

In view of the fact that Farmafactoring has an exposure that is almost completely composed of receivables due from the Public Administration, the portfolio risk is to be considered limited.
Furthermore, the Company files a monthly report to the Central Credit Register (Circular 139 of February 11, 1991 - 14th update of April 29, 2011 *"Central Credit Register. 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 impairment of its financial assets.
This analysis made it possible to distinguish between performing and non-performing receivables; included in the non-performing category are financial assets that show an individual risk of loss, while the remaining financial assets are classified in the performing category.

Performing receivables
The measurement of performing receivables includes receivables from customers which, although past due more than 90 days, show no objective indication of impairment at an individual level.
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.

Although the receivables are due almost entirely from the Public Administration, as in previous years, at the date of the interim and year-end financial statements, the Company, in accordance with IAS 39, carried out a collective impairment test of performing receivables in order to monitor the quantitative content.
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 assigned by the major rating agencies.

Such analysis and the manner of calculation were formulated when the transition was made to international accounting standards. Such calculation did not produce significant data since the PD attributed to the regions based on the rating led to a modest impairment according to the impairment test.

Starting from July 2012, the input parameters for the collective impairment model led, as a result of the continual downgrades of Italy and the consequent downgrade of the regions in the fourth quarter of 2011, to a higher PD calculation compared with the past and, consequently, to a collective impairment loss that is no longer negligible. Specifically, at December 31, 2012, the impairment test indicated an impairment loss of about Euros 1.7 million.

Non-performing receivables
In accordance with IAS 39, and for purposes of an analytical evaluation, the Company carried out an assessment of the financial assets classified as non-performing receivables in order to identify any objective impairment of individual positions.
Non-performing receivables net of individual impairment losses amount to Euros 11,820.

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 11,820;
- Doubtful, for an amount of Euros 2,894;
- Restructured exposures, not applicable;
- Past due exposures, for an amount of Euros 8,261;

The definitions of these categories are set out in the Regulatory Reporting process, defined by Circular 217 of August 5, 1996 – 10th update of July 24, 2012 *"Manual for the Compilation of Regulatory Reporting for the Financial Intermediaries, Payment Institutions and IMELs"*.

At December 31, 2012, the total of non-performing receivables, net of writedowns due to estimated impairment losses, amounts to Euros 11,820, a figure in line with the previous year. This amount corresponds to the exposure with the debtor Fondazione Monte Tabor in liquidation and admitted to the procedure for the composition of creditors. After an agreement was recognized by the composition of creditors (approved by the meeting of creditors on March 19, 2012, and subsequently decreed by the Court of Milan on May 3, 2012, by decree filed on May 10, 2012), for the principal portion as well as the late interest portion, 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.

Moreover, Fondazione Monte Tabor under liquidation and in a composition of creditors, made the first payment of about Euros 4.7 million on January 3, 2013.

Compared with December 31, 2011, gross non-performing exposures went from about Euros 17.0 million to about Euros 14.1 million due to the payments received from the liquidators of Fondazione Ordine Mauriziano and from the debtors connected with the bankruptcy of Enterprise Digital Architects S.p.A. This reduction was partially offset by the addition to non-performing receivables of another four debtors for an amount of approximately Euros 700 thousand, although entirely written off during the year.

The other non-performing exposures are therefore entirely written off by a provision account so that the net amount is nil.

Unlike the considerations made for "Impaired assets", the valuation of past due and doubtful receivables, equal to Euros 11,155, is carried out at the level of portfolio since these positions do not display objective elements of individual impairment loss.

QUANTITATIVE DISCLOSURE

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

Portfolio / Quality	Non-performing	Doubtful	Restructured exposure	Past due exposure	Other assets	Total
1. Financial assets held for trading						
2. Financial assets measured at fair value through profit or loss						
3. Available-for-sale financial assets						
4. Held-to-maturity financial assets						
5. Due from banks					101,269	101,269
6. Due from financial institutions					1,226	1,226
7. Due from customers	11,820	2,894		8,261	1,216,199	1,239,174
8. Hedging derivatives						
Total 12.31.2012	11,820	2,894		8,261	1,318,694	1,341,669
Total 12.31.2011	11,996	842		5,810	1,591,219	1,609,867

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	14,102	(2,281)		11,820
- Doubtful	2,898	(4)		2,894
- Restructured exposures				
- Past due exposures	8,273	(12)		8,261
Off-balance sheet exposures:				
- Non-performing				
- Doubtful				
- Restructured exposures				
- Past due exposures				
Total A	25,273	(2,297)		22,975
B. Performing Exposures				
- Past due not impaired	187,145		(266)	186,879
- Other exposures	1,030,771		(1,451)	1,029,320
Total B	1,217,916		(1,717)	1,216,199
Total (A+B)	1,243,188	(2,297)	(1,717)	1,239,174

Details of "Performing exposures", net, equal to Euros 1,216,199, are as follows:
- Euros 1,206,383, referring to "Non-recourse exposures";
- Euros 9,816, 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 facility made to the subsidiary Farmafactoring España S.A for Euros 6,500, drawn for Euros 4,500.

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

"Performing exposures", net, moreover, include "past due not impaired receivables" for Euros 186,879. They fall in the category of past due more than 90 days, but are not considered impaired according to prudential supervision regulations, and those past due and/or overdrawn not more than 90 days as defined by Bank of Italy's Communication of June 1, 2012 on the subject of "Past due and/or overdrawn impaired exposures".

The following tables provide details of "Performing exposures", net, by portfolio and aging of past due receivables.

Non-recourse exposures	Aging					Total
	Current	Past due assets				
		to 3 months	3 to 6 months	6 months to 1 year	over 1 year	
Exposure with central administrations and central banks						0
Exposure with territorial entities	0	16	0	0	1,708	1,724
Exposure with non-profit entities and public sector entities	1,019,491	15,186	10,355	17,556	142,010	1,204,599
Exposure with companies	13	8	0	6	34	60
Total	1,019,504	15,210	10,355	17,562	143,752	1,206,383

Other exposures with customers	Aging					Total
	Current	Past due assets				
		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	9,766					9,766
Total	9,816					9,816

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 exposures	102,495			102,495
Total B	102,495			102,495
Total (A+B)	102,495			102,495

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 class						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Balance sheet exposures			1,315,383				26,309	1,341,692
B. Derivatives								
B.1 Financial derivatives								
B.2 Credit derivatives								
C. Guarantees provided								
D. Commitments to disburse funds							2,000	2,000
E. Other								
Total			1,315,383				28,309	1,343,692

This table includes, under "Balance sheet exposure", the following items in the assets of the financial statements:
• item 20 – Financial assets held for trading – equal to 0;
• item 40 – Available-for-sale financial assets – equal to Euros 23;
• item 60 – Receivables – equal to Euros 1,341,669

"Commitments to disburse funds" include the unused portion of the loan facility granted to the subsidiary Farmafactoring España S.A.

In order to assign a credit quality 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:

Credit Quality Class	ECAI Moody's
1	Aaa to Aa3
2	A1 to A3
3	Baa1 to 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 sector of business 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	1,217,576	(3,461)	1,214,115	728	(544)	184
- with recourse						
Total	1,217,576	(3,461)	1,214,115	728	(544)	184

Exposure types / Amounts	Non-profit institutions serving families			Total		
	Gross exposure	Impairment losses	Net exposure	Gross exposure	Impairment losses	Net exposure
Financing Extended:						
- non-recourse	15,068	(9)	15,059	1,233,372	(4,014)	1,229,358
- with recourse						
Total	15,068	(9)	15,059	1,233,372	(4,014)	1,229,358

The data reported in the above tables refer to the financing extended by the Company, outstanding at December 31, 2012, divided by economic sector of business of the counterparty.

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

	Italy					
	Northwest			Northeast		
Exposure types / Amounts	Gross exposure	Impairment losses	Net exposure	Gross exposure	Impairment losses	Net exposure
Financing Extended:						
- non-recourse	198,171	(1,095)	197,076	222,699	(321)	222,378
- with recourse						
Total	198,171	(1,095)	197,076	222,699	(321)	222,378

	Italy					
	Central			South		
Exposure types / Amounts	Gross exposure	Impairment losses	Net exposure	Gross exposure	Impairment losses	Net exposure
Financing Extended:						
- non-recourse	397,325	(1,958)	395,367	306,500	(453)	306,047
- with recourse						
Total	397,325	(1,958)	395,367	306,500	(453)	306,047

	Italy Islands			Total		
Exposure types / Amounts	Gross exposure	Impairment losses	Net exposure	Gross exposure	Impairment losses	Net exposure
Financing Extended:						
- non-recourse	108,677	(187)	108,490	1,233,372	(4,014)	1,229,358
- with recourse						
Total	108,677	(187)	108,490	1,233,372	(4,014)	1,229,358

The data reported in the above tables refer to the financing extended by the Company, outstanding at December 31, 2012, divided by geographic area of the counterparty.

3.3 Large exposures

At December 31, 2012, there are 15 "large exposures", that is, risk positions equal to or higher than 10% of regulatory capital, for a total weighted amount of Euros 374,468. However none of the positions exceed the individual limit of 25% of regulatory capital.

The reason for the increase in the number of 'large exposure" positions compared with the prior year stems from a worsening of Italy's sovereign credit rating which raised the weighting from 50% to 100% for public sector entities.

SECTION 3.2 - MARKET RISK

3.2.1 INTEREST RATE RISK

QUALITATIVE DISCLOSURE

The interest rate risk is represented by fluctuations in the level of market interest rates which may generate adverse effects on the income statement of the Company.
Disclosure is provided below in respect of IFRS 7 as indicated in the "roneo" Letter no. 46586/13 of January 15, 2013 written by Bank of Italy.
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, 2012, the balance of derivative hedging transactions is equal to Euros 278 million.

Outstanding contracts

in euros

Transaction type	Underlyings Interest rates and debt securities			Residual life
	Notional amount	Fair value at 12.31.2012		
		Positive	Negative	
IRS plain vanilla, Step-up	*278,000,000*		*(2,243,875)*	*377*
Partial total	278,000,000		(2,243,875)	377
Total	278,000,000		(2,243,875)	377

Hedging strategies
Hedging strategies follow the trend of the Euribor rates and expectations expressed by the market. At December 31, 2012, the fair value of hedging instruments is negative for an amount of Euros 2,244.

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.

At December 31, 2012, and due to the descending trend recorded by the interest rate curve, there is a worsening compared with the data at the end of the prior year (the fair value of the hedging instruments was a negative Euros 523, with a negative impact on the income statements for Euros 1,709) whereas there is a full correlation with the rates implicit in the lending transactions carried out during the same period.

QUANTITATIVE DISCLOSURE

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

Item / Residual life	on demand	1 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	289,673	24,394	26,220	119,665	869,463	12,254			**1,341,669**
1.3 Other assets								6,317	**6,317**
2. Liabilities									
1.1 Debt securities	332,661	699,074	55,000		5,000				**1,091,735**
1.2 Receivables									
1.3 Other assets		2,244							**2,244**
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 29% 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 the measurement and management of interest rate risk
With reference to market risk, since Farmafactoring does not have a securities portfolio, it considers interest rate risk only as being significant.

For purposes of the assessment of such risk, linked potentially to fluctuations in interest rates, Farmafactoring is guided by the methodology contained in the prudential regulation (Attachment M – Circular 216 of Bank of Italy). This methodology is applied monthly so that variations, if any, in Farmafactoring's exposure to fluctuations in interest rates can be detected in a timely and continual manner.
The sensitivity analysis of the interest rate requires the construction of a management framework so that the exposure can be highlighted. This is shown:
• in the liabilities, by the total amount of financing revalued in relation to the maturity of the single tranches of utilization and the exposure in derivatives;
• in the assets, by the lending represented by the exposure from the purchase of non-recourse receivables, whose collections are estimated using statistics of debtor payment times, and adjusted according to any settlement agreements with the individual regions and/or with significant debtors, or adjusted as a result of the sale of assets.

The method used calls for:
• classification of the assets and liabilities in different time periods; the allocation to different time periods is made, for fixed-rate assets and liabilities, on the basis of their residual life; for variable-rate assets and liabilities, on the basis of the interest rate renegotiation date.
• Weighting of the net exposures within each period: the asset positions and liability positions within each period are offset, obtaining a net position. Each net position, for each time period, is multiplied by the weighting factors obtained as the product of the hypothetical variation in the rates (simulating a +200 basis point shock for all the maturities) and an approximation of the modified duration relating to the single periods.
• Sum of the weighted exposures of the different time periods: the weighted exposures of the different periods are summed all together, obtaining a total weighted exposure.

The Total Weighted Exposure represents the change in the present value of cash flows, generated by the hypothetical interest rate scenario.
The situation resulting from the application of the framework for the management of interest rate risk, at December 31, 2012 (in the next table), presents a potential loss in the present value of cash flows, in the event of a +200 basis point shock, equal to Euros 15.9 million; this loss is lower (-9%) compared with the figure at year-end 2011, equal to Euros 17.5 million.

Maturity	Funding Exposure	Derivatives Exposure	Liability Exposure (Total)	Asset Exposure (Lending)	Net Exposure	Shock	Weighted Exposure
less than 1 month	0	0	0	0	0	-	0
1 month	651,034	(268,000)	383,034	87,836	(295,198)	0.08%	(236)
1 to 3 months	347,000	10,000	357,000	175,937	(181,063)	0.32%	(579)
3 to 6 months	50,000	75,000	125,000	260,222	135,222	0.72%	974
6 months to 1 year	0	40,000	40,000	373,426	333,426	1.43%	4,768
1 to 2 years	0	123,000	123,000	245,786	122,786	2.77%	3,401
2 to 3 years		20,000	20,000	83,624	63,624	4.49%	2,857
3 to 4 years		0	0	56,911	56,911	6.14%	3,494
4 to 5 years		0	0	0	0	7.71%	0
5 to 7 years		0	0	12,238	12,238	10.15%	1,242
7 to 10 years		0	0	0	0	13.26%	0
10 to 15 years		0	0	0	0	17.84%	0
15 to 20 years		0	0	0	0	22.43%	0
over 20 years		-	-	-	-	26.03%	-
TOTAL WEIGHTED EXPOSURE							**15,920**

Farmafactoring regularly monitors interest rate risk, as well as its management, through *ad hoc* reporting.
The Farmafactoring Risks Committee, being responsible for Risk Management, analyzes the issues surrounding fluctuations in interest rate risk on a quarterly basis.

3.2.2 PRICE RISK

QUALITATIVE DISCLOSURE

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 DISCLOSURE

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 DISCLOSURE

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 DISCLOSURE

2. Models and other methods for measuring and managing exchange rate risk

The Treasury and Finance Regulation in force, approved by the meeting of the board of directors on February 23, 2004, as updated, 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 DISCLOSURE

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* organizational 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 coefficient to the average of the operating income for the last three years (calculated annually at the end of each year).

QUANTITATIVE DISCLOSURE

On the basis of the above method, the capital requirement for operational risk at December 31, 2012 is therefore equal to Euros 14,511.

SECTION 3.4 - LIQUIDITY RISK

QUALITATIVE DISCLOSURE

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, has adopted a liquidity policy, with the aim of:
• maintaining a high degree of diversification in order to reduce liquidity risk;
• identifying the governance and control principles by pinpointing the structures responsible for operational and structural management of liquidity risk;
• establishing the operational limits and defining the stress scenarios for conducting sensitivity analysis;
• drawing up a liquidity contingency plan in which the strategies and organizational and operating procedures are defined for the management of crisis situations;
• regulating the existence and maintenance of an information system adequate for the management of liquidity risk.

In order to ensure control over the processes for the management and control of liquidity risk, the Company has adopted a governance model based on the following principles.
• separation between the processes for the management of liquidity and processes for the control of liquidity risk;
• development of the processes for the management and control of liquidity risk, consistently with the hierarchy structure of the bank and through a process of appointments;
• sharing of the decisions and clarity of responsibilities among management, control and operations bodies;

• conforming the management and monitoring processes of liquidity risk with prudential supervisory indications.

QUANTITATIVE DISCLOSURE

1. Timing distribution 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	303,469	1,028	4,605	1,925	16,399	26,064	119,696	797,974	119,466	14,258	
A.4 Other assets											6,317
Balance sheet liabilities											
B.1 Payables:											
- Banks	208,000				242,500	10,000	250,000	26,500			
- Financial institutions							61,034	224,761			
- Customers	68,940										
B.2 Debt securities											
B.3 Other liabilities				13	46	557	188	1,441			
Off-balance sheet transactions											
C.1 Financial derivatives with exchange of capital											
- Long positions											
- Short positions											
C.2 Financial derivatives without exchange of capital											
- Positive differentials											
- Negative differentials											
C.3 Loans to be received											
- Long positions											
- Short positions											
C.4 Irrevocable commitments to lend funds											
- Long positions							2,000				
- Short positions											
C.5 Financial guarantees provided											

Section 4 - Disclosure on equity

4.1 Equity of the Company

4.1.1 Qualitative Disclosure

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 Disclosure

4.1.2.1 Equity: composition

Items / Amounts	Total 12.31.2012	Total 12.31.2011
1. Share capital	130,900	130,900
2. Share premium		
3. Reserves		
- income		
a) legal	16,222	14,212
b) statutory		
c) treasury shares		
d) other	31,475	12,834
- other		
4. (Treasury shares)		
5. Valuation reserves		
- Available-for-sale financial assets		
- Property, plant and equipment		
- Intangible assets		
- Hedges of foreign investments		
- Cash flow hedges		
- Foreign exchange differences		
- Non-current assets and disposal groups		
- Special revaluation laws	3,823	3,823
- 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	56,449	40,200
Total	238,869	201,969

4.2 Equity and banking regulatory ratios

4.2.1 Regulatory capital

4.2.1.1 Qualitative Disclosure
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, 2012, there are no equity items that qualify as Tier 3.

4.2.1.2 Quantitative Disclosure

	Total 12.31.2012	Total 12.31.2011
A. Tier 1 before prudential filters	180,198	177,463
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)	180,198	177,463
D. Items to be deducted from Tier 1	(3,147)	(3,147)
E. Total TIER 1 (C - D)	177,051	174,316
F. Tier 2 before prudential filters	3,823	3,823
G. Tier 2 prudential filters:		
G.1 Positive IAS/IFRS prudential filters (+)		
G.2 Negative IAS/IFRS prudential filters (-)		
H. Tier 2 gross of items to be deducted (F + G)	3,823	3,823
I. Items to be deducted from Tier 2	(3,147)	(3,147)
L. Total TIER 2 (H - I)	676	676
M. Items to be deducted from Tier 1 and Tier 2		
N. Regulatory capital (E + L - M)	177,727	174,992
O. TIER 3		
P. Regulatory capital including TIER 3 (N + O)	177,727	174,992

4.2.2 Capital adequacy

4.2.2.1 Qualitative Disclosure

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, Payment Institutions, 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, 2012, in relation to its business, is adequate according to the level of capitalization and the profile of risk identified.
The capital ratios are 11.4% for both the Tier 1 Capital Ratio and Total Capital Ratio.

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

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 Institutions (ECAIs), or Export Credit Agencies (ECAs), 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 sovereign credit rating in July 2012, the risk weight of the "Public Sector entities" was increased from 50% to 100%; this percentage had already been raised from 20% to 50% because of downgrade in Italy's rating in October 2011.

As for "Central administrations and central banks", the weighting 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"*.
• 100% for receivables from the Public Administration (which include those from AOs in the National Health System and ASLs) except for exposures with an original term equal to or less than three months for which a weighting is applied of 20%;
• 100% for receivables from supervised intermediaries except for exposures with an original term equal to or less than three months for which a weighting is applied of 20%;
• 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.

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

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% coefficient to the three-year average of the operating income taken from the financial statements for the last three years, according to the formats of 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 II - 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 2012 Summary to the Regulatory Authority by the April 30, 2013 deadline.

4.2.2.2 Quantitative Disclosure

Categorie / Valori	Non-weighted assets		Weighted assets/requirements	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
A. Risk assets				
A.1 Credit and counterparty risk				
1. Standardized approach	1,392,651	1,662,307	1,317,604	832,441
2. Internal rating based (IRB) approaches				
2.1 Basic indicator approach				
2.2 Advanced measurement approach				
3. Securitizations				
B. Regulatory capital requirements				
B.1 Credit and counterparty risk			79,056	49,946
B.2 Market risk				
1. Standardized approach				
2. Internal models				
3. Concentration risk				
B.3 Operational risk				
1. Basic indicator approach			14,511	13,483
2. Standardized approach				
3. Advanced measurement approach				
B.4 Other capital requirements				
B.5 Other calculation elements				
B.6 Total capital requirements			93,567	63,429
C. Risk assets and capital ratios				
C.1 Risk-weighted assets			1,559,762	1,057,362
C.2 Tier 1/Risk-weighted assets *(Tier 1 capital ratio)* (%)			11,4%	16,5%
C.3 Regulatory capital including TIER 3/Risk-weighted assets *(Total capital ratio)* (%)			11,4%	16,6%

The increase in the amount of risk-weighted assets and the resulting decrease in the capital adequacy ratio compared with the prior year is attributable to the downgrade of Italy's sovereign credit rating in July 2012 which lowered the credit quality class from class 2 to class 3, with a consequent worsening of the risk weight coefficients of the receivables portfolios held. Specifically, the risk weight of the receivables from the Public Administration went from 50% to 100%, thus causing an increase in the amount of risk-weighted assets.

The downgrade of Italy's credit rating in October 2011 had already lowered its credit quality class from class 1 to class 2, generating an increase in the risk weight of the receivables from the Public Administration from 20% to 50%.

Section 5 - Analytical statement of comprehensive income

Analytical statement of comprehensive income at December 31, 2012

Items	Before tax effect	Tax effect	After tax effect
10. Profit (loss) for the year	85,778	29,329	56,449
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)	85,778	29,329	56,449

Section 6 - Related party transactions

6.1 Disclosure on compensation to key managers
- Compensation to the directors: Euros 1,050.
- Compensation to the board of statutory auditors: Euros 189.

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 Disclosure on related party transactions
Beginning in 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 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.

There is a license agreement with the subsidiary Farmafactoring España S.A. This agreement covers the IT user rights to the software, organizational methods and communication lines of Farmafactoring, as well as the assistance, maintenance and monitoring of the IT rights themselves. The contract also provides for the use of all of Farmafactoring's know-how. Royalties are paid as consideration and, for the year 2012, were determined in the amount of Euros 200 thousand.
Farmafactoring, on April 3, 2012, signed a loan facility agreement with the subsidiary Farmafactoring España S.A., expiring on October 3, 2013 (18 months). The loan facility is regulated at normal market conditions and replaces the previous loan of Euros 5 million disbursed on October 7, 2011.
At December 31, 2012, the loan facility was drawn for Euros 4.5 million out of the agreed Euros 6.5 million.

On September 6, 2012, Farmafactoring's board of directors approved the "Intragroup Controls Regulation", with defines the overall organizational architecture for transactions with the subsidiary, the basic principles, the mechanisms and tools for coordination consistently with indications from Bank of Italy and with the requirements of sound and prudent company management.

The ordinary shareholders' meeting of Farmafactoring España, held on March 12, 2013, approved the financial statements at December 31, 2012. In contrast to 2011, the subsidiary conducted operations for the full year 2012 and reported a loss of Euros 263 thousand. If intragroup costs are eliminated, there would be a breakeven for the 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.

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, 2012 of Farmafactoring S.p.A.

Dear Shareholders,

The board of statutory auditors is writing this report pursuant to art. 2429 of the Italian Civil Code as the engagement for the audit of the company's financial statements, pursuant to art. 2409 *bis* of the Italian Civil Code, has been assigned to the audit firm of PricewaterhouseCoopers S.p.A., listed in the register of the Ministry of Justice.
The board's work on the monitoring and control activities pursuant to art. 2403 of the Italian Civil Code during the course of the year ended December 31, 2012 has been guided by the Code of Conduct of the board of statutory auditors as recommended by the National Boards of Dottori Commercialisti and Ragionieri.

In particular, with regard to the provisions of art. 2403 of the Italian Civil Code, the following is mentioned below.

- 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 2012 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 amendments 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. 150.3 of Legislative Decree 58/1998.
- There are some transactions between the company and its Shareholder which are based on ordinary operating activities and are in the interests of the company, as stated by the directors in the report on operations; such transactions are carried out at normal market terms and taking into account the characteristics of the transactions that have been entered into.
- In 2012, neither petitions nor complaints have been received nor has the board of statutory auditors issued opinions pursuant to the law.
- The board has examined the report on the financial statements issued by the audit firm charged with the audit which expressed an unqualified opinion, without exceptions.
- We would also like to point out that in 2012, 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, 2012 of Farmafactoring S.p.A.;
  - the independence of the audit firm particularly in relation to the non-audit services rendered to the entity in 2012 or to the companies controlled by it or which control it or that are under joint control;
  - the report by the audit firm required by art. 19.3 of Legislative Decree 39 of January 27, 2010.
- The audit firm, as provided in art. 17 of the Decree, on April 8, 2013, has confirmed its independence in writing to the Committee, giving information on the non-audit services provided in 2012 to the company or to the 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.
- On April 13, 2012, the board of statutory auditors presented its proposal to the shareholders' meeting for the appointment of the audit firm, pursuant to Legislative Decree 39/2010, articles 13 and 17, indicating the audit firm of PricewaterhouseCoopers S.p.A. and the shareholders' meeting resolved accordingly.
- The directors, in their report, announced that in January 2013 authorization was received from Bank of Italy for Farmafactoring S.p.A. to commence banking activities.

Hence the board has no reasons to oppose the approval of the financial statements at December 31, 2012 and expresses a favorable opinion on the motion for the appropriation of the profit for the year proposed by the board of directors.

Milan, April 9, 2013

The Board of Statutory Auditors

Francesco Tabone

Luca Fontanesi

Marcello Priori

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 2012. The directors of Farmafactoring SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 12 April 2012.

3 In our opinion, the financial statements of Farmafactoring SpA as of 31 December 2012 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 2012.

Milano, 8 April, 2013

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 first call on April 24, 2013, approved the financial statements for the year ended December 31, 2012, 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 56,449,281 as follows:

- to the legal reserve, the amount of Euros 2,822,464;
- to dividends, the amount of Euros 31.50 for each of the 1,700,000 outstanding shares, equal to a total of Euros 53.550.000;
- to retained earnings, the remaining amount of Euros 76,817.

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