NOT FOR DISTRIBUTION IN THE UNITED STATES

BANCA FARMAFACTORING S.p.A.

(*incorporated with limited liability under the laws of the Republic of Italy*)

€200,000,000 Floating Rate Notes due 2020

The €200,000,000 Floating Rate Notes due 2020 (the "**Notes**") of Banca Farmafactoring S.p.A. (the "**Issuer**") are expected to be issued on 5 December 2017 (the "**Closing Date**") at an issue price of 100 per cent. of their principal amount.

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 5 June 2020. The Notes are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the Republic of Italy, as described under "*Terms and Conditions of the Notes – Redemption for tax reasons*".

The Notes will bear a floating rate of interest from 5 December 2017, payable quarterly in arrear on 5 March, 5 June, 5 September and 5 December each year commencing on 5 March 2018. Payments on the Notes will be made in Euros without deduction for or on account of taxes imposed or levied by the Republic of Italy to the extent described under "*Terms and Conditions of the Notes – Taxation*".

This prospectus (the "**Prospectus**") has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under Directive 2003/71/EC (as amended, including Directive 2010/73/EU, the "**Prospectus Directive**") and constitutes a prospectus for the purposes of the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any member state of the European Economic Area. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.

This Prospectus is available for viewing on the Irish Stock Exchange's website (*www.ise.ie*).

An investment in the Notes involves certain risks. For a discussion of these risks, see "Risk Factors" on page 1.

The Notes will be in bearer form and in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. The Notes will initially be in the form of a temporary global note (the "**Temporary Global Note**"), which will be deposited on or around the Closing Date with a common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**"). The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the "**Permanent Global Note**") not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form. See "*Summary of Provisions Relating to the Notes in Global Form*".

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the "**Securities Act**") and are subject to United States tax law requirements. The Notes are being offered outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Joint Lead Managers

Banca IMI **Morgan Stanley**

Co-Lead Manager

Banca Akros S.p.A. – Gruppo Banco BPM

The date of this Prospectus is 4 December 2017

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, to the best of its knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

The Issuer has confirmed to Banca IMI S.p.A. and Morgan Stanley & Co. International plc (the "**Joint Lead Managers**") and Banca Akros S.p.A. – Gruppo Banco BPM (the "**Co-Lead Manager**" and, together with the Joint Lead Managers, the "**Managers**") that this Prospectus contains all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information contained herein (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and verify the foregoing.

This Prospectus should be read in conjunction with all information which is incorporated by reference in and forms part of this Prospectus (see "*Documents Incorporated by Reference*").

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Prospectus or as approved in writing for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Managers.

No representation or warranty, express or implied, is made by the Managers as to the accuracy or completeness or verification of the information contained in this Prospectus, and nothing contained herein is, or shall be relied upon as, a promise or representation by the Managers in this respect, whether as to the past or future. None of the Managers assumes any responsibility for its accuracy, completeness or verification and accordingly the Managers disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this document or any such statement.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied by the Issuer in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same, or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus. The Issuer is under no obligation to update the information contained in this Prospectus after the initial distribution of the Notes and their admission to trading on the regulated market of the Irish Stock Exchange. Furthermore, save as required by applicable laws or regulations, or under the terms and conditions relating to the Notes, the Issuer does not intend to provide any post-issuance information to investors.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation, or (b) should be considered as a recommendation by the Issuer or the Managers that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the condition (financial or otherwise) and affairs of the Issuer, and its own appraisal of the Issuer's creditworthiness.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Managers to any person to subscribe for or to purchase any Notes. The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. Neither the Issuer nor any of the Managers represents that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered in compliance with any applicable registration or other requirements in any such jurisdiction or pursuant to an exemption available thereunder, nor do they assume

any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or any of the Managers which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language so that the correct technical meaning may be ascribed to them under applicable law.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables, including percentages, may not be an arithmetic aggregation of the figures which precede them.

STABILISATION

In connection with the issue of the Notes, Morgan Stanley & Co. International plc (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. All such transactions shall be conducted in accordance with all applicable laws and rules.

MARKET SHARE INFORMATION AND STATISTICS

This Prospectus contains information and statistics which are derived from, or are based upon, the Issuer's analysis of data obtained from miscellaneous sources quoted in "*Description of the Issuer*" below. Such information has been identified where used and reproduced accurately in this Prospectus and, as far as the Issuer is aware and is able to ascertain from information published by those sources, no facts have been omitted which would render such reproduced information inaccurate or misleading.

ALTERNATIVE PERFORMANCE MEASURES

This Prospectus contains the following alternative performance measures as defined by the European Securities and Markets Authority's Guidelines on Alternative Performance Measures (ESMA/2015/1415), ("**APM**") which are used by our management to monitor our financial and operating performance:

- Profit for the year adjusted: calculated by adding: i) "non-recurring costs" (See "*Selected Financial Information of the Issuer*"*)* to ii) the line item presented in the Group financial statements "profit for the year".

- Cost/income ratio is calculated, on the basis of the line items presented in the Group financial statements, as the ratio between i) the sum of "Administrative costs" and "Impairment on tangible and intangible assets", and ii) "Operating income".

- Cost/income ratio adjusted is calculated as the ratio between i) the sum of "Administrative costs" net of "Adjustment related to non-recurring administrative costs" (See "*Selected Financial Information of the Issuer")* and the line items presented in the Group financial statements ii) "Impairment on tangible and intangible assets" and iii) "Operating income".
- ROTE adjusted is calculated as the ratio between i) "Profit for the year adjusted" (see above) and ii) the line items presented in the Group financial statements "Shareholders' equity" net of "Intangible assets".

It should be noted that APMs are non-IFRS financial measures and are not recognised as measure of performance or liquidity under IFRS and should not be recognised as alternative to performance measure derived in accordance with IFRS or any other generally accepted accounting principles. APMs are not indicative of the Group's (as such term is defined in the "*Terms and Conditions of the Notes*") historical operating results, nor are they meant to be predictive of future results. Since all companies do not calculate APMs in an identical manner, the Group's presentation may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on these data.

FORWARD LOOKING STATEMENTS

This Prospectus contains certain statements that are, or may be deemed to be, forward-looking, including statements with respect to the Issuer's and the Group's business strategies, expansion of operations, trends in their business and their competitive advantage, information on technological and regulatory changes and information on exchange rate risk and generally includes all statements preceded by, followed by or that include the words "believe", "expect", "will", "project", "anticipate", "seek", "estimate" "aim", "intend", "plan", "continue" or similar expressions. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors. Potential investors are cautioned not to place undue reliance on forward-looking statements, which are made only as at the date of this Prospectus.

The Issuer does not intend, and does not assume any obligation, to update forward-looking statements set out in this Prospectus. Many factors may cause the Issuer's or the Group's results of operations, financial condition and liquidity, and the development of the industries in which they compete, to differ materially from those expressed or implied by the forward-looking statements contained in this Prospectus.

The risks described under "*Risk Factors*" in this Prospectus are not exhaustive. Other sections of this Prospectus describe additional factors that could adversely affect the Issuer's and the Group's results of operations, financial condition and liquidity, and the development of the industries in which they operate. New risks can emerge from time to time, and it is not possible for the Issuer to predict all such risks, nor can the Issuer assess the impact of all such risks on their business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not rely on forward looking statements as a prediction of actual results.

CERTAIN DEFINED TERMS

In this Prospectus, unless otherwise specified:

(i) "**Banca Farmafactoring**" or the "**Issuer**" means Banca Farmafactoring S.p.A;

(ii) references to "**billions**" are to thousands of millions;

(iii) references to the "**Conditions**" are to the terms and conditions relating to the Notes set out in this Prospectus in the section "*Terms and Conditions of the Notes*" and any reference to a numbered "**Condition**" is to the correspondingly numbered provision of the Conditions;

(iv) references to "**€**', "**EUR**" or "**Euro**" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended;

(v) the "**Fiscal Agent**" means Citibank, N.A., London Branch as fiscal agent;

(vi) the "**Group**" means the group consisting of the Issuer and its consolidated subsidiaries;

(vii) references to "**IFRS**" are to International Financial Reporting Standards, as adopted by the European Union;

(viii) the "**Joint Lead Managers**" means Banca IMI S.p.A. and Morgan Stanley & Co. International plc as lead managers;

(ix) the "**Co-Lead Manager**" means Banca Akros S.p.A. – Gruppo Banco BPM as co-manager;

(x) the "**Managers**" means collectively the Joint Lead Managers and the Co-Lead Manager; and

(xi) references to a "**Member State**" are to a Member State of the European Economic Area.

WEBSITES

This Prospectus makes reference to a number of websites owned or managed by us or third parties. For the avoidance of doubt, other than specifically indicated, no information from any of these websites is incorporated herein.

DOCUMENTS INCORPORATED BY REFERENCE

The following financial information is incorporated in, and forms part of, this Prospectus:

i. the press release containing the unaudited consolidated interim results of the Group as at and for the nine months ended 30 September 2017, prepared in accordance with IFRS, which can be found on the Issuer's website at:

   http://investor.bffgroup.com/ita/comunicati-stampa-br-smallprice-sensitive-small/comunicati-2017/

ii. the unaudited consolidated condensed interim financial statements of the Group as at and for the six months ended on 30 June 2017, prepared in accordance with IFRS and together with the accompanying notes and auditors' reports which can be found on the Issuer's website at:

   http://investor.bffgroup.com/eng/financial-statements-reports/reports-2017/

iii. the audited consolidated annual financial statements of the Group as at and for the year ended 31 December 2016, prepared in accordance with IFRS and together with the accompanying notes and auditors' reports (the "**2016 Financial Statements**") which can be found on the Issuer's website at:

   http://investor.bffgroup.com/eng/financial-statements-reports/reports-2016/

iv. the audited consolidated annual financial statements of the Group as at and for the year ended 31 December 2015, prepared in accordance with IFRS and together with the accompanying notes and auditors' reports (the "**2015 Financial Statements**", and, together with the 2016 Financial Statements, the "**Consolidated Financial Statements**") which can be found on the Issuer's website at:

   http://investor.bffgroup.com/eng/financial-statements-reports/reports-2015/

Cross-reference list

The tables below show where the information incorporated by reference in this Prospectus can be found in the above-mentioned documents. Items that are not incorporated by reference do not form part of this Prospectus and are either not relevant or covered elsewhere in this Prospectus.

Document	**Page number(s)**	
Audited consolidated annual financial statements	**31 December 2016**	**31 December 2015**
Consolidated balance sheet	66 – 67	58 – 59
Consolidated income statement	68	60
Consolidated statement of comprehensive income	69	61
Consolidated statement of changes in consolidated equity	70-71	62 – 63
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Document	**Page number(s)**
Unaudited consolidated condensed interim financial statements	**30 June 2017**
Consolidated balance sheet	37-38
Consolidated income statement	39
Consolidated statement of comprehensive income	40
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Document	**Page number(s)**
Press release containing the unaudited consolidated interim results	**2017**
Consolidated balance sheet	9-10
Consolidated income statement	11

Information contained in the above documents other than the information listed in the cross-reference list above is considered additional information and is not required by the relevant schedules of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.

The financial statements referred to above are available both in the original Italian and in English. Only the English language versions are incorporated by reference in, and form part of, this Prospectus. The English language versions are direct translations from the Italian language documents but, in the event of any inconsistencies or discrepancies between the Italian and English language versions, the original Italian versions will prevail.

This Prospectus should be read and construed together with the information incorporated by reference herein. Copies of any document incorporated by reference in this Prospectus are available free of charge at the specified office of the Fiscal Agent, unless such documents have been modified or superseded.

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. In addition, the order in which the risk factors are presented below is not intended to be indicative either of the relative likelihood that each risk will materialise or of the magnitude of their potential impact on the business, financial condition and results of operations of the Issuer.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and consider carefully whether an investment in the Notes is suitable for them in the light of the information in this Prospectus and their personal circumstances, based upon their own judgment and upon advice from such financial, legal, tax and other professional advisers as they deem necessary.

Words and expressions defined in "Terms and Conditions of the Notes" or elsewhere in this Prospectus have the same meaning in this section. Prospective investors should read the whole of this Prospectus, including the information incorporated by reference.

Risks Related to Our Business

Our business and results are impacted by the current volatile macroeconomic environment globally and in the countries in which we operate.

The global economy, the sovereign debt crisis in Europe, the condition of financial markets and adverse macroeconomic developments in our primary markets may all significantly influence our performance. Our earning capacity and stability can be affected by the overall economic situation and by the dynamics of the financial markets.

Following the crisis in the global financial markets starting in August 2007, the markets have continued operating under difficult and unstable conditions that have required actions by governments, central banks and supranational organizations to support financial institutions, including the injection of liquidity and direct intervention in the recapitalization of some of these entities. This situation has negatively affected the financial markets and has subsequently impacted the greater economy as well. This negative context, in addition to having contributed to and accelerated deterioration in the state of public finances of EU countries, has particularly penalized banking systems such as those of Italy, Spain, Portugal and Greece, where the exposure to sovereign debt is higher than the average for EU countries.

In addition, on 23 June 2016 a referendum was held regarding the United Kingdom's membership of the European Union. The result of the referendum was to leave the European Union, which creates a number of uncertainties within the United Kingdom and its relationship within the European Union. The result is likely to generate further increased volatility in the markets and economic uncertainty which could have a material adverse effect on our business, financial condition or results of operations. Under Article 50 of the 2009 Lisbon Treaty ("**Article 50**"), the United Kingdom will cease to be a member state when a withdrawal agreement is entered into, or failing that, two years following the notification of an intention to leave under Article 50, unless the European Council (together with the United Kingdom) unanimously decides to extend this period. On 29 March 2017, the United Kingdom formally notified the European Council of its intention to leave the European Union.

There are a number of uncertainties in connection with the future of the United Kingdom and its relationship with the European Union. The negotiation of the United Kingdom's exit terms is likely to take a number of years. Until the terms and timing of the United Kingdom's exit from the European Union are confirmed, it is not possible to determine the full impact that the referendum, the United Kingdom's departure from the European Union and/or any related matters may have on general economic conditions in the United Kingdom.

On 4 December 2016, a constitutional referendum was held in Italy, as a result of which the proposed reforms to the Italian Constitution put forth by the Renzi government were not approved, leading to the resignation of the Italian Prime Minister. Although the consequences of such a result are not fully determinable, it is not possible to exclude that this may impact the markets and entail a negative impact on our economic and financial situation or on our business.

In addition, on 1 October 2017 a referendum was held in Catalonia regarding Catalonia's independence from Spain, the result of which was for Catalonia to become an independent republic. However, Spain's central government did not recognize the vote and applied article 155 of the Spanish Constitution, which provides for suspension of regional autonomy. As a result of application of article 155, Catalonia's regional parliament was dissolved and general regional elections are scheduled to occur on 21 December 2017. Although the consequences of the referendum are not fully determinable, it is not possible to exclude that this may impact the markets and entail a negative impact on our economic and financial situation or on our business.

The ordinary activities of the banking sector have suffered a sharp slowdown, caused by the prolonged period of international crisis. In particular, many domestic and European credit institutions have been severely affected, triggering, in some cases, insolvency proceedings, complex restructuring of their liabilities or mergers with other entities.

European banks have also seen a decline in the value of assets resulting from the decline in stock and bond prices, a deterioration of the loan portfolio with an increase in non-performing loans, and situations of insolvency and additional costs caused by a write-down and reduction in the price of assets, with the consequent reduction in the ability to produce profits.

We generate a significant percentage of our revenue in Italy (86.7%, and 86.0% of our consolidated operating income for the years ended 31 December 2015, and 2016 respectively) and, therefore, our results depend in particular on Italian economic conditions which, in turn, are affected by European and global economic trends. Italy's GDP increased by 0.8% in 2015, compared to a decrease of 0.3% in 2014 (*Source*: *Istat*). Economic performance in Italy has been significantly influenced by the global financial crisis and has been characterized by economic stagnation. In particular, since the second half of 2011, the Italian economy went through a prolonged phase of recession that culminated at the end of 2014. Beginning in 2015, the Italian economy has entered a phase of recovery, albeit weak, due to: a gradual stabilization in domestic demand, moderately favourable dynamics in foreign trade, and an improved level of production with positive effects on employment levels.

However, on 13 January 2017, the rating agency DBRS Ratings Limited ("**DBRS**") announced that it had downgraded the Republic of Italy's Long-Term Foreign Currency and Local Currency Issuer Ratings from A (low) to BBB (high) reflecting uncertainty over the government's political ability to sustain the structural reform effort and continuing weakness in the country's banking system amid a period of fragile growth. In consideration of our exposure to public and non-profit entities as well as of the circumstance that DBRS operates as Group's External Credit Rating Agency ("**ECAI**"), our regulatory capital ratios have been negatively affected by such downgrade. See "*–We may be unable to meet the minimum capital adequacy requirements*".

Our subsidiary Magellan generates a significant percentage of revenue in Poland. Therefore, its results depend in particular on Polish economic conditions which, in turn, are affected by European and global economic trends. Since the October 2015 parliamentary elections in Poland, the new government has initiated a number of new legislative measures affecting key institutions in Poland, and introducing new taxes (such as a tax on financial institutions and a retailer turnover tax). These developments and any further legislative changes may adversely affect Magellan's business, results of operations or financial condition, which in turn could have a material adverse effect on our business, results of operations and financial condition.

In an effort to address the volatility and turbulence in financial markets, the depressed macroeconomic environment and to support distressed financial institutions, national governments and international organizations have intervened on an unprecedented scale. These measures, including the introduction of austerity programs, may, however, dampen economic growth over the short, medium and longer terms. Such declining or stagnant economic growth (or a fall into recession) in the Eurozone could exacerbate the difficulty of Eurozone sovereigns and non-sovereigns in refinancing their debt as it comes due, further increasing pressure on the macroeconomic environment in the Eurozone and the global economy, which could

have a material adverse effect on our business, results of operations and financial condition. If the ECB were to continue to implement an expansionary monetary policy in the future involving a further reduction of interest rates, our customers may expect us to reduce our commissions in line with market interest rates and the ECB's interventions, and as a result, unless we are able to reduce our funding costs, we may realize lower margins. Furthermore, the ECB's expansionary monetary policy may provide our customers access to different types of financing, which in turn could reduce their demand for our factoring services.

There can be no assurance that the measures put in place to address the volatility and turbulence in financial markets, the depressed macroeconomic environments and the debt of certain sovereigns in Europe will be successful. New turmoil in the banking system and financial markets, further consolidation in the banking and financial services industry, or market failures, could trigger a further crunch in credit access, low liquidity levels, and significant volatility in the financial markets. Such factors could have a number of effects on our operations, including bankruptcy of our counterparties and increase our costs of funding. Therefore, should Italian or global economic conditions worsen, our services and products may consequently decline due to a variety of factors, including a decrease in the government expenditure in goods and services.

If conditions in the Eurozone deteriorate again and European policy makers are unable to contain such a sovereign debt crisis, we could see a reduction of, or reduced growth, of our ordinary business, an increase in our cost of credit, declines in our asset values, accelerated loan impairment losses and decreased profitability, in addition to being required to take further write-downs on our sovereign exposures or other assets. Furthermore, any material defaults, nationalizations or similar adverse events or disruptions that occur in the future (which could include one or more members leaving the Eurozone) could have a material adverse effect on our business, financial condition or results of operations.

Our business is dependent on our customers and the debtors that they supply, each of whom may face economic uncertainty and changes in the regulatory landscape which could impact their need for our services.

Our business primarily involves managing and/or purchasing the receivables of our customers (which in large part are multinational companies or large domestic businesses) owed by their debtors (the majority of whom operate in the public administration sector, including national healthcare systems). We are exposed to the risk that our customers or their debtors may become subject to bankruptcy or insolvency proceedings or be in financial distress, and, as a result, may not be able to meet their contractual obligations or enter into new contractual obligations or that debtors may cause the deterioration of our asset quality. In particular, in the instance of returning the receivables to the original seller, we may not be able to recover the full amount of the receivables that we purchased from our customers should they be insolvent. This risk is amplified in relation to new or small customers, towards whom we have recently started providing our services. With regard to these customers, we carry out credit analysis prior to engaging with them, however, we cannot rule out that they may fail to pay commission for our credit management and non-recourse factoring services.

In addition, if any of our customers become subject to bankruptcy or insolvency proceedings, they may also not be able to meet their contractual obligations, such as (although to a lesser degree) the payment of commission for our credit management services. Impairment losses on receivables and loans totalled €2,244 thousand and €1,126 thousand for the years ended 31 December 2016 and 2015.

In 2014, we expanded our non-recourse factoring business by purchasing receivables owed by financially vulnerable public entities (including municipalities, provinces and mountain communities), which at the time of purchase were already impaired assets, which however do not constitute a material part of our current business. Such activities could result in an increase of our (net and gross) non-performing exposures. We determine the price of the receivables based on the financial position of the relevant debtors and the recovery rate and time of recovery. However, we may still be exposed to capital losses and a general deterioration of asset quality as a result of our debtors' financial vulnerability, which could have a material adverse effect on our business.

We are also exposed to risks connected with each of the countries in which we operate (Italy, Spain, Portugal, Poland, Czech Republic, Slovakia and Greece). Should the central governments of these countries default, the debtors themselves may no longer be able to rely on government funding and as a result could no longer be able to repay their commercial debts.

This so-called "country risk" could affect our clients' and their debtors' financial situation, as well as our credit management business. Moreover, our securities portfolio only includes securities issued by the Italian government.

The following chart shows the incidence of central government securities on both our total assets and net equity as of 31 December 2016:

	As of 31 December 2016
	(in € thousands)
Securities portfolio [(1)]	2,014,405
Receivables owed by the Italian government[(2)]	408,700
Receivables owed by the Spanish government[(2)]	34,577
Receivables owed by the Polish government[(2)]	510
Receivables owed by the Czech government [(2)]	830
Receivables owed by the Slovakian government[(2)]	687
Receivables owed by the Portuguese government [(2)]	-
Total	**2,459,708**
Incidence on total assets	51,9%
Incidence on net equity	940,2%

(1) Book value, recorded in the Group financial statements as financial activities under "*available for sale financial assets*" ("AFS") and "*held-to-maturity financial statements*" (HTM).

(2) Included in the Group's balance sheet item of "loans to customers". It relates to receivables owed by central governments, weighted at 0% for the purposes of credit risk definition.

As of 31 December 2016 and 2015 the Group's securities portfolio consists of Italian governments securities, recorded in the Group financial statements as financial activities under "available for sale financial assets" ("**AFS**") and "held-to-maturity financial statements" ("**HTM**").

As of 31 December 2016, we were owed receivables from Italian and Spanish central governments equal to €408.7 million and €34.6 million, respectively, with reference to Traditional Activities, as defined below. These receivables relate to credit positions, all in performing loans, from central governments, weighted at 0% for the purpose of determining the credit risk.

The credit standing of the governments is subject to monitoring and evaluation by rating agencies. In particular, as of 31 December 2016, the Republic of Italy's ratings were: BBB- from S&P (unchanged since 31 December 2015), Baa2 from Moody's (unchanged since 31 December 2015), BBB+ from Fitch (unchanged since 31 December 2015) and BBB (high) from DBRS (down from A low as of 31 December 2015). Spain's ratings were: BBB+ from S&P (unchanged since 31 December 2015), Baa2 from Moody's (unchanged since 31 December 2015), BBB+ from Fitch (unchanged since 31 December 2015) and A (low) from DBRS (unchanged since 31 December 2015). Portugal's ratings were: BB+ from S&P (unchanged since 31 December 2015), Ba1 from Moody's (unchanged since 31 December 2015), BB+ from Fitch (unchanged since 31 December 2015) and BBB (low) from DBRS (unchanged since 31 December 2015). Poland's ratings were: BBB+ from S&P (down from A- as of 31 December 2015), A2 from Moody's (unchanged since 31 December 2015), A- from Fitch (unchanged since 31 December 2015) and A from DBRS (unchanged since 31 December 2015). The Czech Republic's ratings were: AA- from S&P (unchanged since 31 December 2015), A1 from Moody's (unchanged since 31 December 2015), and A+ from Fitch (up from A- as of 31 December 2015). Slovakia's ratings were: A+ from S&P (unchanged since 31 December 2015), A2 from Moody's (unchanged since 31 December 2015), A+ from Fitch (unchanged since 31 December 2015) and A (high) from DBRS (no rating assigned as of 31 December 2015). As of the date of this Prospectus, Greece's ratings were: B- from S&P (unchanged since 31 December 2016), Caa2 from Moody's (up from Caa3 as of 31 December 2015) and B- from Fitch (up from CCC as of 31 December 2015).

In this regard, on 13 January 2017, DBRS – which is the Group's ECAI – announced that it had downgraded the Republic of Italy's Long-Term Foreign Currency and Local Currency Issuer Ratings from A (low) to BBB (high). Furthermore, on 21 April 2017, Fitch announced that it had downgraded the Republic of Italy's Long-Term Currency and Local Currency Issuer Ratings from BBB+ to BBB. However, on 27 October 2017, S&P increased the Republic of Italy's sovereign credit rating from BBB- to BBB, as well as its short term rating from "A-3" to "A-2", in each case with a stable outlook.

Since our debtors are public bodies, they may be subject to regulatory changes. For instance, certain legislative measures have been implemented in certain regions of Italy aimed at the consolidation of local healthcare authorities, as a result of which our counterparties have been replaced by new entities. We may not have the same broad knowledge of these new final debtors, which may hinder our ability to, inter alia, assess and predict credit collection timing, credit risk and, therefore, pricing. Such measures may be implemented in other regions as well. In addition, new measures may be taken in the future to eliminate Italian provinces and carry out mergers of municipalities, which could also cause us to lose existing counterparties as the number of final debtors is reduced. Therefore, if the economic conditions of our customers deteriorate, or if changes in their regulatory landscape result in negative consequences to our operations, these risks could have a material adverse effect on our business, results of operations and financial condition.

As the events referred to above are unforeseeable (and we have no control over the possibility of their occurrence), they could have a material adverse effect on our business, financial condition or results of operations.

As of 31 December 2016, the Group has not taken out an insurance policy in relation to the abovementioned risks.

We derive a significant portion of our revenue from a limited range of services provided in a limited set of geographies.

The activity of the Group is subject to concentration risks in both the range of services and the localization of the related offer. 84.3% of the total amount of receivables towards clients registered by the Group as of 31 December 2016 is represented by receivables towards factoring clients (i.e. receivables related to the activity of non-recourse factoring) and, among that portion, 91% is related to the activity of non-recourse factoring carried out in Italy.

As a consequence of such concentration in both the range of services and the localization, possible changes to the political situation and/or to local regulations, as well as a possible deterioration of the Italian economy and/or of the national market of the demobilization of non-performing receivables owed by the supplying companies mainly toward the public administration's entities, could have a material adverse effect on our business, results of operations and financial condition.

While the Group pursues a strategy of (i) strengthening and further growing its own Traditional Activities in additional areas of the Southern European Market where the Group itself has been active for several years (i.e. Spain and Portugal), and (ii) expanding in new European markets as recently done in Greece, organically or through acquisition as per the recent acquisition of the Magellan Group which has allowed the Group to obtain a significant presence in the Eastern European Market and, at the same time, to diversify the range of financial services offered to clients, there is no certainty whether in the future the Issuer will be able to properly pursue the strategy of diversifying its activities, in terms of both offered services and their localization, in order to reap possible positive effects, which could have a material adverse effect on our business, results of operations and financial condition.

We derive a significant portion of our revenue from a limited number of customers.

With reference to our Traditional Activities, most of our key customers are large multinational and Italian companies with whom we have built and maintained strong commercial relationships. For the year ended 31 December 2016, 46% of the total volume of our managed and purchased receivables and 40% of the volume of receivables relating to our non-recourse factoring business derived from our top ten customers. These clients have been our customers for an average period of more than 18 years as of 31 December 2016 and approximately ten years with respect to our non-recourse factoring business. However, the majority of our contracts with customers neither (i) impose any obligation on us to purchase non-recourse receivables in the future, nor (ii) do they contain any exclusivity clauses or impose any obligation on customers to continue supplying the Group, thus making it relatively simple for counterparties to exercise withdrawal rights, and therefore we have limited visibility with respect to future transactions. Therefore, we may not be able to achieve the same volume of receivables in the future, and the loss of any of our key customers or a significant decrease in the business generated from them, could have a material adverse effect on our business, results of operations and financial condition.

We may incorrectly evaluate DSO relative to the payments of the debtors.

We estimate the income that we can generate from our receivables portfolio on the basis of our past experience and a database of information relating to debtors belonging to the Italian national health system gathered over the past 30 years.

The pricing of each receivable acquired in the context of our non-recourse factoring business (which, as of 31 December 2016, represented 51% of the Traditional Activities volumes, while the remaining 49% consists in the credit management activity) is determined on the basis of our "days sales outstanding" ("**DSO**") and the creditworthiness of the relevant customer and debtor. This metric allows us to manage the liquidity we need to run our business and determine our margins. Therefore, errors in evaluating our DSOs relating to our margins or their modification due to the adoption of legislative measures in the countries in which we carry out our business may reduce both our expected and actual margins, and determine a decrease in the Group's revenues due to the possible fluctuation of the demand for our services and a possible decrease in the revenues generated by commissions and interest.

In particular, should the public administrations, in relation to which the Group operates, adopt and effectively implement more efficient management policies of their commercial debts and reduce the delays in payment, the Group margins could be negatively impacted due to the potential decrease in the demand for factoring and, at the same time, for the discount on the nominal value of the receivables applied at the moment of the receivable purchasing.

We carefully monitor the payment patterns of debtors through our database, which tracks payment patterns and average DSOs for each debtor in order to estimate the average timing for collection. However, we cannot rule out the possibility that our estimates may be incorrect. For example, we may not have sufficient information to make a correct pricing determination in respect of public administration debtors not belonging to the national health system. In addition, following the implementation of certain legislative measures aimed at the reorganization of the public administration (including the consolidation of local health authorities in a number of regions in Italy or the completion of mergers of municipalities in accordance with the Stability Law 2016 (Law 208/2015)), we may have to interact with new debtors not registered in our database, which could give rise to difficulties in estimating the DSOs and the pricing.

Increased inefficiencies in the national health system and public sector in Italy, Spain, Portugal, Poland, Czech Republic, Slovakia and Greece, and in particular in any inefficiencies in resource allocation, could lead to increased DSOs and (excluding any possible financial advantages resulting from late payment interest), as a result, our estimates of timing for collection and future liquidity could be incorrect and management costs could increase. Finally, we cannot rule out the possibility of a default or partial failure to pay the loans or receivables owed to the Group by public administrations, due either to the commencement of insolvency procedures or the increase in the number and costs of existing litigation. Either of these circumstances could have a material adverse effect on our business, results of operations and financial condition.

Furthermore, the potential stagnation of the market which may occur in the future (along with the persisting context of challenging completion), if not accompanied by an increase in the diffusion of the factoring product in the relevant market, may expose the Issuer to the risk of not maintaining its growth rate and profitability level compared to those registered in the past.

The Magellan Group's market of reference is the "alternative financing market" for healthcare operators and public sectors, where the Group is one of the first movers, operating in this market for approximately twenty years. Therefore, the market may be impacted by an exacerbation of the competitive scenario due to its attractiveness in terms of accessible market areas. The future development of this market shall depend on the business's ability to increasingly meet the public healthcare entities' and municipalities needs for liquidity and financial resources, taking into account the competition relating to a range of businesses of a different nature (*i.e.* entities owned by universal banks), with this particular reference to countries like Poland, the Czech Republic and Slovakia.

These execution risks concerning the market of reference, along with the uncertainty relating to the government intervention in terms of public spending in general and specifically regarding public healthcare entities in general, may expose the Issuer to the risk of not meeting the expected growth and profitability rates,

which could in turn have a material adverse effect on our business, results of operations and financial condition.

Our heavy reliance on non-recourse factoring prevents us from benefitting from the legal protections of the guarantee of solvency.

Under the Italian law, the sale of receivables can either be non-recourse or recourse. Non-recourse factoring involves the assigning creditor legally guaranteeing the existence of the receivables, but does not guarantee the solvency of the assigned debtor (i.e. that the assigned debtor will effectively pay its debt to the acquiring assignee). This is considered ordinary sale of receivables under the Italian Civil Code. In recourse factoring, the assigning party assumes the negotiated guarantee of the solvency of the assigned debtor. The assigning party that guarantees the solvency of the assigned debtor is liable up to the price of the factoring, and not the amount of the receivable assigned, as well as the legal interest accrued on this sum from the day it was collected by the assigning party until the day of settlement. The assigning party should, therefore, repay the assignee the expenses incurred for the factoring and for any enforcement of the assigned debt.

Within the context of our factoring business, our primary activity consists in the purchase of receivables on a non-recourse basis and, therefore, we assume the risk (inherent to this form of factoring) of possible insolvency of the assigned debtors (*i.e.* failure to fulfil their payment obligations), instead of benefitting from an assignor guarantee in relation to the assigned debtors' solvency, which the parties may agree to under Italian law.

Following the acquisition of the Magellan Group, we also carry out with recourse factoring to private debtors, although to a lesser extent.

As of 31 December 2016 the book value of the loans and receivables to customers arising from non-recourse factoring activities was equal to approximately €2,107 million, with an incidence of 84.3% on the total amount of loans to and receivables from customers.

The table below sets forth our receivables from customers, broken down by the different product lines as of 31 December 2016 (which includes Magellan) and at 31 December 2015.

	31 December 2016	31 December 2015
	(*in € millions*)	
Factoring	2,107.0	1,926
Leasing	6.9	-
Loans to customers	317.2	-
Other loans	68.0	36.0
Total Due from customers	**2,499.1**	**1,962**

Receivables from factoring clients as of 31 December 2016, which represent approximately 84.3% of the receivables held by the Group from factoring clients, consist of receivables purchased on a non-recourse basis.

If there were to be an increase in the number of insolvent assigned debtors, we may not be able to benefit from the guarantee of solvency of the assigning creditor or obtain adequate redress. The inability to recoup losses from such receivables could have a material adverse effect on our business, results of operations and financial condition.

The creditworthiness of our counterparties may deteriorate.

We are exposed to risks related to the deterioration of the creditworthiness of our counterparties, including debtors and customers, for example following a breach of contract. Such credit quality deterioration risk involves both (i) counterparty risk, and (ii) concentration risk (i.e. if we have highly concentrated exposures to counterparty that face credit quality issues).

If the transactions entered into with a counterparty represent a credit position for us at the time of insolvency of such counterparty, we will experience a loss. Our counterparty risk is inherent in the temporary investment of liquidity with maximum durations not exceeding one month and derivative contracts entered into to hedge our interest rate and exchange rate risk. Our application of the "standardized" methods of calculating

counterparties' risk entails a low degree of risk. The creditworthiness and the relative financing granted to the financial counterparties are regularly reviewed (at least annually) and the exposure is constantly monitored.

In the past three years, we have brought our credit exposure classification and evaluation policies in line with applicable supervisory regulations, international accounting standards and the Supervisory Review and Evaluation Process ("**SREP**"). Our capital absorption relating to credit risk as of 31 December 2016 and 2015 was equal to €82,998 thousand and €60,809 thousand, respectively. Our capital absorption relating to concentration risk as of 31 December 2016 and 2015 was equal to €13,289 thousand and €11,522 thousand, respectively.

In relation to the business activities carried out by the Group, the risk concerning the deterioration of credit quality to which the Group is exposed is closely connected to the so called "country risk".

In relation to the non-recourse factoring activities carried out in Spain and Portugal, the Group's portfolio of receivables mainly comprises receivables that are certified as certain debt owed by the relevant debtor from a financial, legal and administrative standpoint (the so called "*conformidad*" in Spain and "*numero de compromiso*" in Portugal). However, it is not possible to exclude that the Group may come to hold receivables that have not received such certification, therefore entailing a decrease in the certainty of the receivables and the consequent risk of disputes.

Furthermore, in relation to the factoring activities carried out by Magellan in Poland, Magellan purchases, for an amount corresponding to 4% of due from customers outstanding for the financial year ended 31 December 2016, overdue receivables from the suppliers of independent public healthcare entities (the "**Centres**") and, in such instances, the execution of the assignment contracts is conditioned upon the acceptance of the assignment by the founding entity of the Centre. Magellan also offers solutions consisting of factoring-like products, assuming all risks connected to the receivables, including the commitment to finance them and paying the supplier regardless of an unsuccessful payment collection, as well as the risk of possible disputes. Said activity therefore entails the risks connected to non-recourse factoring, including the assumption of the risk of the assigned debtor becoming insolvent (and therefore failing to pay) and, secondly, of the client becoming insolvent. This activity constitutes 20% of the exposures relating solely to Magellan.

In 2015 the Issuer started the activity of Non-recourse factoring concerning tax credits which are held against the competent Italian tax authorities. In relation to such activity, the Issuer carries out due diligence on the receivables prior to their purchase and it is contractually provided that any residual set offs that may take place in the course of payment by the Italian tax authority shall be reimbursed to the original assignor (it being understood that the risk of not receiving any set offs is borne by the original assignor).

We cannot exclude the possibility that in the future there could be a deterioration of our receivables portfolio, which in turn could have a material adverse effect on our business, results of operations and financial condition.

Governments may implement efficiency measures that could significantly reduce DSO and demand for our services.

We are exposed to the risk that the governments of the countries in which we operate could adopt measures aimed at improving efficiency of the national health system and public sector, and at reducing DSOs. For example, starting from 2014 the Italian and Spanish governments have implemented measures aimed at making the relationship between the national health system/public sector and their suppliers more efficient by providing funds to the relevant public entities, thus shortening the timing for payment and ensuring the payment of receivables. In Italy, these measures were implemented through Legislative Decree No. 35 of 8 April 2013 (converted into Law No. 64 of 6 June 2013) and Legislative Decree No. 66 of 24 April 2014, and in Spain the "*Fondo de Liquidez Autonomico*" and the "*Plan de Pago*" were introduced in 2012. In addition, in September 2017 the Government of Slovakia approved a debt relief plan for hospitals, which provides for payment to hospitals' creditors for an amount up to €585 million for the period 2017-2019. The plan is subject to approval of the Slovak parliament. If hospitals' creditors accept the plan, the demand for our services in Slovakia could significantly decrease, which could have a material adverse effect on our business, results of operations and financial condition.

Although the above measures resulted in a reduction of DSOs and thereby increased profitability in the short-term (given that we collected receivables sooner than expected), any structural measures undertaken by national governments which would successfully increase the efficiency of the national health system and public administration-which could be achieved in the future by the Italian, Spanish, Portuguese, Polish, Czech and Slovakian governments through the introduction of other new measures-could result in a reduction in (i) the demand for our services, (ii) our commission rates and the margin we receive; and (iii) DSOs, with a consequent reduction in income received from late payment interest and other types of interest. Any such changes could have a material adverse effect on our business, results of operations and financial condition.

We are subject to extensive regulation in the banking sector and may in the future be adversely affected by regulatory measures applicable to our business.

We operate in a highly regulated environment for banks and the laws and government regulations related to our industry may change from time to time. In particular, we are subject to extensive regulation and supervision by the Bank of Italy and the European Central Bank within the context of the Single Supervisory Mechanism and the European System of Central Banks. We are subject to law and regulations that govern the activities carried out by banks and are aimed at maintaining banks' safety and soundness and limiting their exposure to risk. In addition, we must comply with any financial services law which may apply to our marketing and selling activities.

Such supervisory authorities oversee various aspects of our business, including liquidity levels and capital adequacy, anti-money laundering and privacy protection, with the goal of ensuring both the transparency and fairness of our relationships with our customers, and compliance with registration and reporting obligations.

We have established specific procedures and internal policies in order to comply with applicable regulations. However, we cannot exclude that we may breach such regulations in the future, particularly with respect to anti-money laundering and fairness in dealing with clients, or that the competent authorities may fail to apply the correct interpretation of such regulations. This could have a material adverse effect on our business, results of operations and financial condition.

Our failure to comply with applicable laws or regulations, and/or a negative outcome of the inspection by the Bank of Italy, as described below, could disrupt our operations and have a material adverse effect on our business, results of operations and financial condition.

The Basel III Proposals were implemented in the European Union by the Capital Requirements Directive 2013/36/EU ("**CRD IV**") and Capital Requirements Regulation (Regulation (EU) No 575/2013) ("**CRR**"), which were enacted in June 2013.

In addition, in May 2014 the Bank Recovery and Resolution Directive (Directive 2014/59/EU) ("**BRRD**") was enacted. The BRRD provides for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms. The goal of the BRRD is to provide authorities with common instruments and powers to address banking crises preemptively in order to safeguard financial stability.

The BRRD requirements fall into three main categories, namely; (i) crisis prevention measures, including recovery plans drawn up by companies and resolution plans drawn up by resolution authorities, (ii) early intervention measures to ensure the prompt intervention by competent authorities following the first signs of a credit institution's or an investment bank's financial instability, and (iii) crisis resolution measures, including the bail-in tool which transfers a large portion of a bank's restructuring costs from the Member State to the bank's shareholders and creditors, thus reducing any moral hazard risks. If a distress situation were to occur, as a result of which we became subject to resolution procedures, our shares would be written down and/or any liabilities would be cancelled or substantially reduced. Moreover, the shareholding of our shareholders may become considerably diluted if other liabilities were converted into shares at particularly unfavourable conversion rates.

As some of the banking laws and regulations which apply to our business have only recently been adopted, the manner in which those laws and regulations are applied to the operations of financial institutions is still evolving. There can be no assurance that such laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on our business, financial condition and results of operations.

In addition, our factoring business is subject to extensive and complex legislation and regulations, the most significant of which is Directive 2011/7/EU, which is applicable to late payments and establishes, among other things, the rate of late payment interest. The application of this directive in Italy, Spain, Portugal, Poland, Czech Republic, Slovakia and Greece enables us to make, with a reasonable degree of certainty and uniformity, profit estimates for our non-recourse factoring business. Although we have extensive knowledge of the regulatory framework which applies to us and are able to quickly adapt to any regulatory changes introduced from time to time, any changes to the current regulations, including at an EU level, could lead to unanticipated costs and have a material adverse effect on our business, financial condition and results of operations. In particular, any significant reductions to late payment interest rates could adversely affect our profitability.

As of the date of this Prospectus, there have been various proposals for changes to the legal and regulatory framework regulating the sector in which we operate. The proposed changes, which could either negatively or positively affect our business, include, *inter alia*:

- the adoption of the so-called "**Basel IV**" which includes a new package of rules on the capital and liquidity of banks and introduces standards and criteria which are more stringent than those provided by Basel III;
- the amendment to the legislation on the so-called "past due" criteria for the determination and treatment of past due exposures towards debtors belonging to the public administration. In particular, the classification of the exposures towards debtors belonging to the public administration could be aligned to the classification adopted for the private sector. As a result of such change of the regulatory framework, the exposures would be "past due" if amounting to over 5% of the total exposure towards the same debtor and overdue by more than 90 days, instead of the preference treatment where a single payment interrupts the past due calculation;
- the potential application of different and more stringent criteria to determine the risk weight of exposures to entities belonging to the Italian national health system and/or of the public administration, which could negatively affect the capital absorption of our risk-weighted assets. In particular, the potential change of the regulatory framework described above, would increase the amount of our exposure classified as "past due";
- the "EU Banking Reform" Package published on 23 November 2016, which is aimed at introducing certain changes to the provisions included, *inter alia*, in the CRD IV, the CRR and the BRRD;
- the introduction of new accounting standards which will enter into force as of 1 January 2018 and modify the method for determining the provisions relating to the exposures in the financial statements which are more stringent than those provided by IAS 39; and
- the EBA's proposal to introduce a stricter approach in determining non-performing loans provisions, effective January 2018, but still under discussion.

The introduction of new regulations in the future or any changes to the legislation currently in force in the countries in which we operate may require us to comply with new standards in ways that we cannot currently predict or restrict our ability to do business in those countries and may require us to further strengthen our capital. As a result, we could incur additional costs for having to adapt the features of our products and services or distribution and control structures to comply with such new regulations. As a result, we may also have to limit our business operations. This could have a material adverse effect on our business, financial condition and results of operations.

We are required to make yearly contributions to the Single Resolution Fund and the Interbank Deposit Guarantee Fund, and in exceptional circumstances we may be required to make additional contributions.

Directive 2014/49/EU on deposit guarantee schemes (the so-called "**Deposit Guarantee Schemes Directive**" or "**DGSD**") and the BRRD, as well as the establishment of the Single Resolution Mechanism (Regulation (EU) No 806/2014 of 15 July 2014), introduced significant changes to the framework regulating the financial distress of banks, with the aim of strengthening the single market and the stability of the European banking system.

Based on the legal framework introduced as a consequence of the transposition into Italian law of these directives, financial institutions are required to provide financial resources in order to fund the Italian Interbank Deposit Guarantee Fund (*Fondo Interbancario di Tutela dei Depositi*) and the National Resolution Fund (*Fondo di Risoluzione Unico Nazionale*, which was transferred to the Single Resolution Fund (*Fondo di Risoluzione Unico*)).

With respect to the funding of the Italian Interbank Deposit Guarantee Fund, the DGSD introduced a new mixed funding mechanism based on ordinary contributions (*ex-ante*) and extraordinary contributions (*ex-post*). The contributions are calculated in proportion to the amount of guaranteed deposits of each bank to the total guaranteed deposits of Italian banks participating in the Interbank Deposit Guarantee Fund and the degree of risk assumed by such bank compared to the degree of risk assumed by all other banks participating in the Interbank Deposit Guarantee Fund.

Italian banks shall pay annual ordinary contributions until the Interbank Deposit Guarantee Fund has financial resources equal to at least 0.8% of the total guaranteed deposits of Italian banks participating in the Interbank Deposit Guarantee Fund. The Italian government is required to ensure that such level is reached by 3 July 2024. Contributions to the Interbank Deposit Guarantee Fund are made annually.

The Board of the Interbank Deposit Guarantee Fund (*Fondo Interbancario di Tutela dei Depositi*) established the total contribution for 2016 to be equal to €449.2 million to be distributed among the members based on the amount of protected deposits. As a result of the implementation of these measures, we have incurred costs of approximately €0.5 million for ordinary contributions in the financial year ended 31 December 2016, compared to €0.1 million for ordinary contributions in the financial year ended 31 December 2015.

On 26 November 2015, the General Meeting of the Interbank Deposit Guarantee Fund resolved upon the provision of a voluntary scheme for the implementation of support-measures in favour of member banks, which are either in a state of insolvency or at risk of entering into a state of insolvency. During the course of 2016, the fund amounted to a total of €700 million. In May 2016, Cassa di Risparmio di Cesena asked for the intervention of such voluntary scheme to increase its share capital and overcome certain financial difficulties. On 15 June 2016 the management board of the voluntary scheme approved such measure and subscribed the capital increase of €280 million.

Our share of the intervention approved by the management board of the voluntary scheme amounted to approximately €0.2 million and was paid in September 2016, while no contribution for voluntary scheme was asked during fiscal year 2015. The relative fair value as of 31 December 2016, communicated to the Interbank Deposit Guarantee Fund, was approximately equal to €0.1 million. As a result of the above, in November 2016 we communicated our intention to withdraw from the voluntary scheme, effective November 2017. In September 2017 we were asked to vote in favour of a further intervention of the scheme implying a further contribution, equal to approximately €0.1 million for BFF. Further to such request, consistently with the decision made in November 2016 to withdraw from the voluntary scheme, we have voted against such intervention.

With respect to the Single Resolution Fund, the contributions are calculated in proportion to the amount of liabilities of the relevant bank (excluding guaranteed deposits and own funds) to the total liabilities (excluding guaranteed deposits and own funds) of Italian banks and the degree of risk assumed by the relevant bank compared to the degree of risk assumed by all other Italian banks. The BRRD provides that Italian banks must pay annual ordinary contributions until the Single Resolution Fund has financial resources equal to at least 1% of the total guaranteed deposits of financial institutions authorized in all participating Member States. This level must be reached by 1 January 2023.

For the years ended 31 December 2016 and 2015 we have been required to make ordinary contributions to the Single Resolution Fund equal to approximately €1.1 million and €0.4 million, respectively. Ordinary contributions to the Single Resolution Fund are made annually and have already been paid and recorded for both financial years. In addition we have been required to make extraordinary contributions to the Single Resolution Fund in 2016 and 2015, following the financial distress of four Italian financial institutions (i.e. Banca Popolare dell'Etruria e del Lazio S.C, Cassa di Risparmio della Provincia di Chieti S.p.A., Banca delle Marche S.p.A. and Cassa di Risparmio di Ferrara S.p.A.) respectively equal to €2,179 thousand and €1,101 thousand. The extraordinary contributions were paid and recorded by us in 2015 and in 2016. As of the date of this Prospectus, we have not been required to make any further extraordinary contributions.

If the financial resources of the Interbank Deposit Guarantee Fund and/or the Single Resolution Fund are insufficient to cover any losses, or if as a result of costs or other expenses incurred by such funds in compliance with the regulations governing their operation the above percentages are not reached, financial institutions may be required to make extraordinary contributions, as in the case of the four Italian financial institutions mentioned in the paragraph above.

As of 31 December 2016 the recorded cost, gross of income taxes, was equal to €3.8 million. Such cost was composed of (i) €1.1 million representing the annual contribution to the Resolution Fund which has already been paid, (ii) €0.5 million representing the estimated monthly amount to be contributed to the Interbank Deposit Guarantee Fund, which was calculated on the basis of certain data as of 30 September 2016, and (iii) €2.2 million representing the extraordinary contribution to the Resolution Fund. For 31 December 2015, the gross cost was equal to €1.6 million. As of 31 December 2016, the contribution, net of tax, was equal to €2.6 million. Should we continue to be required to make large contributions, or should the guarantee funds fail, this could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to meet the minimum capital adequacy requirements.

Capital adequacy rules for banks set out the prudential requirements for minimum capital and asset quality, as well as risk mitigation instruments.

The Basel III framework also provides for the creation of additional capital buffers in excess of the minimum requirements in order to provide banks with high quality capital resources to be used in times of market stress, to prevent any malfunctioning of the banking system and to avoid disruptions in the credit granting process, as well as to address the risks posed by systemically important banks at the global or domestic level. The total amount of such capital buffers is referred to as the combined capital buffer requirement (the "**Combined Capital Buffer Requirement**"). The Combined Capital Buffer Requirement must be met using CET1 Capital items. As of 31 December 2016 we were compliant with such requirement. A failure to satisfy the Combined Capital Buffer Requirement (or the capital conservation buffer) subjects banks to capital conservation measures, such as restrictions to dividend distributions. In addition, banks must present to the Relevant Authority a capital conservation plan indicating the measures (including additional capital increases) that they intend to adopt in order to comply with the Combined Capital Buffer Requirement. As a consequence, if we are unable to comply with the Combined Capital Buffer Requirement (or the capital conservation buffer), we may be required to strengthen our capital and investors may be asked to provide us with capital contributions.

As of 31 December 2015, the Common Equity Tier 1 capital ratio, the Tier 1 Capital ratio and the Total Capital ratio of the banking group – as defined under Article 64 of the Consolidated Banking Act (the "**Banking Group**") – comprising the Issuer and Farmafactoring España were all equal to 24.3%. The same ratios determined in accordance with the criteria for prudential consolidation set out under the CRR – according to which, as of that date, BFF Luxembourg S.à r.l. ("**BFF Luxembourg**") and BFF Lux Holdings S.à r.l. ("**BFF Lux Holdings**") were included in the consolidation perimeter for the purposes of the CRR, while the entities of the Magellan Group were excluded – amounted to 23.9% (Common Equity Tier 1 capital ratio), 24.0% (Tier 1 Capital ratio) and 24.1% (Total Capital ratio) as of 31 December 2015.

As of 31 December 2016, the Common Equity Tier 1 capital ratio, the Tier 1 Capital ratio and the Total Capital ratio of the Banking Group, computed without including profits generated during the year, were all equal to 16.7%. The same ratios determined in accordance with the criteria for prudential consolidation set out under the CRR – including the entities of the Magellan Group in the consolidation perimeter, but excluding BFF Lux Holdings, that was put into liquidation on 20 June 2016 – were respectively equal to 16.4%, 16.5% and 16.6%, in the absence of AT1 and Tier 2 issuances, above the 15% target for dividend distribution autonomously established by the Group. The decrease in our own funds equal to approximately 9.2% as of 31 December 2016 and, concerning the solvency indicators as of 31 December 2016, a CET 1 reduction of 7.6%, a Tier 1 reduction of 7.6% and a Total Capital Ratio reduction of 7.6% was mainly due to the completion of the Magellan Transaction. As of the same date, the estimated risk weighted assets increased by approximately €344.8 million.

See "*—We may be unable to successfully integrate Magellan's business*". As of the date of this Prospectus our capital adequacy levels, at a consolidated level, exceed the regulatory limit.

In 2016 we were subject to the Bank of Italy's SREP in accordance with applicable regulations. Following the conclusion of the annual SREP process, on 10 March 2017 we received a Bank of Italy communication with which the same regulatory authority informed us of the initiation of the administrative procedure concerning the adoption of a capital decision for the provision of capital requirements with which we shall have to comply in addition to the minimum level of requirements relating to the Group's overall exposure to risks. We have not requested further examinations of the Bank of Italy's decision, which therefore has become binding 90 days after the Bank of Italy's communication.

Also in consideration of the foregoing, no assurance can be given that we will be able to maintain the capital adequacy level as of 31 December 2016 or that our capital ratios will not fall below the minimum requirement in the future. Under such circumstances, we may be forced to adopt measures to strengthen our capital, reach appropriate capital adequacy levels for our business operation or meet standards established by applicable prudential requirements or required by supervisory authorities. If this were to occur, the Bank of Italy or other Relevant Authorities may take actions that could have a material adverse effect on our business, financial condition and results of operation.

In addition, due to the rules on prudential consolidation applying under the CRR, our compliance with the capital adequacy requirements also depends on the economic and financial position of BFF Luxembourg. Even if BFF Luxembourg is a financial holding company which does not perform any additional business, and has undertaken to maintain a dividend distribution policy capable of keeping a Total Capital Ratio not lower than 15%, at both the levels of the Group and the consolidation perimeter for the purposes of the CRR, we cannot exclude that the worsening of the financial position of BFF Luxembourg might have a negative impact on our compliance with the capital adequacy requirements. This could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, we cannot accurately predict whether future changes may be made to certain criteria established by the Relevant Authority in the countries in which we operate and in particular, whether changes will be made to the exposure classes established by the CRR for states and central administrations (currently 0%) as well as local authorities (20%). Accordingly, such changes could make it more difficult for us to satisfy and comply with capital adequacy levels, standards and/or regulations.

On 13 January 2017, DBRS – which is the Group's ECAI – announced that it had downgraded the Republic of Italy's Long-Term Foreign Currency and Local Currency Issuer Ratings from A (low) to BBB (high). We have adopted certain measures aimed at strengthening our own funds in order to mitigate the impact of the DBRS downgrade and, in particular, to ensure that we maintain the 15% Total Capital Ratio target autonomously established by the Group. Among these measures, our Board of Directors has resolved the issuance of the 2027 Notes, which consist in a contribution to the own funds for more than €98 million, corresponding to the net proceeds of the issuance (resulting in a capital impact of approximately 5.4% of our Total Capital Ratio). Furthermore, our Board of Directors has decided to raise the percentage of the estimated amount of late payment interest to be collected from 40% to 45% (resulting in a one off positive capital impact of potentially up to an additional 1% approximately, of our Total Capital Ratio). A negative impact on risk weighted assets may also derive from the occurrence of other factors—in addition to future downgrades by multiple notches regarding the Republic of Italy—such as loan impairment, asset value deterioration, increases in litigation expenses or any other external or unpredictable factors beyond our control, including further request from the relevant Supervisory Authorities. Should we fail to meet the required capital adequacy levels for these or any other reason, it could have a material adverse effect on our business, financial condition and results of operation.

Any downgrade related to the debt of the Republic of Italy may also affect the ability of the Bank to use the liquidity granted by the European Central Bank to fund its operations. In particular, should the Issuer decide to use its portfolio of Italian sovereign debt securities in order to enter into repurchase ("repo") transactions with the European Central Bank for liquidity purposes, any such downgrade may determine the application of increased haircuts, with a consequent reduction, albeit limited, on the liquidity value generated by such securities.

Our capital structure may be affected by the implementation of the MREL requirements or possible future amendments to the current regulatory framework on MREL.

Under the BRRD credit institutions are required to comply at all times with a minimum requirement for own funds and eligible liabilities ("**MREL**"). According to Article 45 of the BRRD, the MREL shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds of the credit institution. Unlike the "Pillar I" minimum capital requirements set forth in the CRR, the appropriate MREL requirement shall be determined by the competent resolution authorities on an institution-by-institution basis. Such determination shall be made by the resolution authority taking into account, *inter alia*, the resolvability, risk profile, systemic importance and other characteristics of any such institution.

Based on the works conducted by the European Banking Authority, on 23 May 2016 the European Commission enacted the Commission Delegated Regulation (EU) No. 2016/1450, containing the regulatory technical standards specifying the criteria relating to the methodology for setting the MREL (the "**MREL RTS**"). According to the MREL RTS, the default loss absorption amount to be held by each credit institutions shall be at least equal to the capital requirements applying under the CRD IV and CRR (including the combined buffer requirements as well as any firm-specific own funds requirements imposed by the competent authority). However, subject to certain conditions, the loss absorption amount determined by the relevant resolution authority may be higher (or lower) than the default loss absorption amount, based on the specific circumstances of the case (e.g. considering the business model, funding model or risk profile or the existence of any impediment to resolvability, etc.). The minimum MREL requirements may be met through any items that are eligible for inclusion in the credit institution's own funds under the CRR and the eligible liabilities meeting the requirements set forth in the BRRD and related implementing provisions (such as, in particular, the liabilities that are issued and fully paid up, have a remaining maturity of at least one year, do not arise from derivatives, etc.). Resolution authorities may provide for the application of a transitional period in order to allow credit institutions to satisfy the applicable minimum MREL requirements.

On 14 December 2016 the European Banking Authority published its "Report on the Implementation and Design of the MREL Framework" (the "**EBA MREL Report**"). As highlighted in the EBA MREL Report, as of the date when such document was published no actual MREL decision had been taken by resolution authorities, while only the three EU resolution authorities responsible for setting MREL for global systemically important banks ("**G-SIBs**") established in the EU had published their policy (or publicly communicated their policy intentions) for setting MREL for institutions in their jurisdictions.

A key aspect of the current debate on MREL requirements is related to the interactions between the BRRD framework and the final principles regarding the total loss-absorbing capacity ("**TLAC**") standard for G-SIBs published by the Financial Stability Board ("**FSB**") on 9 November 2015. Similarly to the MREL, the TLAC standard is aimed at ensuring that G-SIBs have sufficient loss absorbing capacity available in case of resolution in order to minimize the impact on financial stability, ensure the continuation of critical functions and avoid exposing taxpayers to loss. However, unlike in the case of the MREL requirements under the BRRD, the FSB proposals define the "Pillar 1" minimum TLAC requirements to be met by all G-SIBs.

In particular, according to the term sheet published by the FSB (the "**TLAC Term Sheet**"), minimum TLAC must be (i) at least 16% of the resolution group's risk-weighted assets with effect from 1 January 2019 (and at least 18% with effect from 1 January 2022), alongside with any applicable regulatory capital buffers, and (ii) at least 6% of the Basel III leverage ratio denominator as from 1 January 2019 (at least 6.75% as from 1 January 2022). Resolution authorities should in any event be allowed to impose additional firm-specific external TLAC requirements under certain circumstances. According to the FSB the minimum TLAC requirement must be satisfied before any surplus common equity is available to satisfy the capital buffers required under the CRD IV and CRR framework. The TLAC may comprise instruments that are eligible for inclusion in the Tier 1 Capital or Tier 2 Capital of the relevant institutions as well as other liabilities meeting the requirements set out in the TLAC Term Sheet – which, in general, requires such liabilities to be contractually subordinated and junior in the statutory creditor hierarchy to excluded liabilities.

On 23 November 2016 the European Commission presented the "EU Banking Reform" package, which contains, *inter alia*, a number of provisions aimed at amending the BRRD also with a view to implementing the TLAC requirement. Based on the approach proposed by the European Commission, the TLAC requirement will be integrated into the general MREL rules, so that there will be no duplications deriving from the application of two parallel systems. The European Commission proposed to introduce a minimum harmonized "Pillar 1" MREL requirement which will exclusively apply to G-SIBs, while the MREL requirements applying to credit institutions that do not qualify as G-SIBs should follow the same "Pillar 2"

approach currently envisaged under the EU legislation. The proposal introduces the concept of "MREL guidance" and provides that any breach of applicable MREL requirements may lead to a breach of combined capital buffer requirement (thereby triggering possible restrictions on distributions and discretionary payments to the holders of regulatory capital instruments and employees, in consideration of the rules on the maximum distributable amount). In line with the TLAC proposal, the reform package also provides for the introduction of an external MREL requirement and an internal MREL requirement applying to entities belonging to a banking group.

As we do not qualify as G-SIB, the TLAC principles published by the FSB as well as the "Pillar 1" MREL requirement provided under the "EU Banking Reform" package by the European Commission should not apply to us. In addition, as of the date of this Prospectus we have not received any determination by the Relevant Authority with respect to the application of existing MREL requirements to the Issuer and/or any other entities of the Group.

However, the full implementation of the MREL requirements and completion of the review process currently conducted by EU authorities also as a consequence of the TLAC proposal may affect our capital structure as well as the value of the Notes. In particular, we may be requested in the future to issue capital instruments or additional liabilities that are eligible for the purposes of the MREL (including Tier 2 Capital instruments) in order to meet such new requirements. There is currently no assurance that we will be able to raise such additional capital and any failure to do so may have a material adverse effect on our business, financial condition or results of operations.

In addition, the European Commission's proposal on the implementation of TLAC requirement may be subject to further changes and amendments. As a result, it is not possible to give any assurances as to the ultimate scope and nature of the resulting obligations, or the impact that the new measures will have on our business, financial condition or results of operations.

Our exposure to Italian government sovereign debt is significant and we may be adversely impacted by any negative change in the creditworthiness of the Italian government.

We are exposed to the sovereign debt of the Italian government, which as of 31 December 2015 was equal to approximately €2,170 billion (*Source*: *IMF World Economic Outlook April 2016*). The nominal, book and fair value of Italian government securities held by the Group as of 31 December 2016 were equal to €1,971.5 million, €2,014.4 million and €2,018.0 million, respectively; the incidence of Italian government securities on our total assets (using the book value) had increased to 42.5%. The nominal, book and fair value of Italian government securities held by us as of 31 December 2015 were equal to €1,218.5 million, €1,252.3 million and €1,256.3 million, respectively; these Italian government securities (using the book value) represented 37.7% of our total assets. We are therefore exposed to changes in the price of Italian public debt securities. Any tensions in or volatility affecting the sovereign bond market could have a material adverse effect on our business, results of operation and financial condition. As of 31 December 2016 and 2015, we did not hold any structured securities in our portfolio.

The securities held in our AFS portfolio are variable rate securities (CCT-Treasury Certificates), with maturity dates falling within five years, while those held in our held-to-maturity (HTM) portfolio are fixed rate securities (BOTs, BTPs and CTZs) with maturity dates related to the source of committed and unsecured funding held by us in accordance with our internal policy. As of 31 December 2016, the average maturity of securities is 3.37 years for our AFS portfolio and 1.24 years for the HTM portfolio. The total average maturity of our portfolio is 1.64 years.

Given that the composition of our securities portfolio and the characteristics of our business involve a significant exposure to the Republic of Italy, if the central Government and/or one or more public administrations were to default or delay in their payments, we may suffer losses that could potentially have adverse effects on our economic and financial situation. See "*—Our business and results are impacted by the current volatile macroeconomic environment globally and in the countries in which we operate*".

The credit standing of the Italian government, like that of other sovereign states, is subject to monitoring and evaluation by rating agencies. Any downgrade of the credit rating of Italian sovereign debt and changes to interest rates could reduce the value of Italian government securities, which in turn could negatively impact our business, results of operations and financial condition. Any increase in the cost of financing at a sovereign

debt level could negatively impact the financing costs of our business and limit the liquidity on which our business depends. If the Basel IV rules were to be implemented, government securities held by EU banks could be subject to weighting criteria and weighting factors could be aligned to those applied prior to the adoption of the ECB's anti-spread measures in 2012 which involved large purchases on the secondary market of government securities issued by distressed countries. The introduction of a more stringent weighting factor on government securities issued by the Italian government could have a significant adverse effect on our capital requirements with regards to government securities.

Any downgrade concerning the Italian sovereign debt may result in a reduction of value of our securities. Starting from 1 January 2018, any reduction of value of securities classified in our AFS portfolio would have an impact on our capital requirements, since an exemption from the fair value adjustment on our own funds will apply thereafter, and with respect to the refinancing of our overall portfolio, there would be an increase in any amounts paid as collateral for transactions.

Credit risk relates to the possibility that the Italian government, finding itself in difficulties, may not partially/totally be able to repay its securities at the contractually agreed due dates. In these circumstances, the tensions and developments of the international and European financial markets could impact the domestic economic situation of Italy. If these circumstances occur, it could have a material adverse effect on our business, results of operation and financial condition.

On 13 January 2017, DBRS announced that it had downgraded the Republic of Italy's Long-Term Foreign Currency and Local Currency Issuer Ratings from A (low) to BBB (high). As a result, Italian sovereign debt securities have been subject to a haircut across various different maturities for the purposes of repurchase ("repo") transactions with the ECB. In general, should the Issuer decide to use its portfolio of Italian sovereign debt securities in order to enter into repo transactions with the European Central Bank for liquidity purposes, any downgrade related to the debt of the Republic of Italy may determine the application of increased haircuts, with a consequent reduction, albeit limited, on the liquidity value generated by such securities. Liquidity risk could arise from us having difficulties and not managing to refinance, in full or in part, our own securities portfolio on the financial market as a result of a possible increase in tensions in the national and international macroeconomic situation and a possible deterioration in the credit standing of the Italian government. In such cases, we could be forced to dispose of, in full or in part, our own securities portfolio (including HTM) at prices below the book value and/or increase the share of securities it has to refinance using own funds, which could have a material adverse effect on our business, financial condition, or results of operation.

Our dependence on access to the capital markets to maintain certain levels of liquidity and to obtain long-term financing could have a material adverse effect on our business, financial condition, or results of operation.

In order to carry out our business, in particular our non-recourse factoring business, we rely on stable and high quality funding resources. As part of our regular non-recourse factoring business, we may not receive payments within the time frame we had estimated, especially with regard to national health system debtors and other debtors with whom we only have a recent track record. This gives rise to the risk that we may not be able to rely on the liquidity we need to run our business, including the acquisition of receivables. Therefore we may need to access the capital markets in order to support our capital resources.

Our ability to access funding sources on favourable economic terms is dependent on a variety of factors, including a number of factors outside of our control, such as liquidity constraints, general market conditions and confidence in the Italian and European banking system. Moreover, since obtaining a banking license, we have been able to diversify and expand our sources of funding, while also significantly reducing the corresponding funding costs.

There is no assurance that in the future we will be able to maintain the same conditions which permit us to access existing financing sources at comparable terms of cost and availability, or that we will be able to renew our existing financing at equal terms and conditions. Specifically, (i) our first bond issue matured on 12 June 2017, (ii) our second bond issue will mature on 21 June 2021, (iii) our third bond issue will mature on 2 March 2027, (iv) our fourth bond issue will mature on 29 June 2022 and (v) Magellan has issued bonds, of which PLN 173.1 million and €15.6 million was outstanding as of 30 September 2017, with a range of

maturity dates between 2017-2019. Therefore, we will need to be able to continue to allocate sufficient financial resources for their repayment as of the relevant dates.

The global financial crisis has significantly reduced liquidity levels and medium to long term financing. Any downgrade of the public rating in the countries in which we operate (Italy, Spain, Portugal, Poland, Czech Republic, Slovakia and Greece) could result in an increase of the financing cost at a sovereign debt level which, in turn, could impact on the financing cost of our business and thus limit available liquidity and our business profitability.

The fear of counterparty credit risk between banks has significantly increased, resulting in a reduction of interbank lending and of the level of confidence of banks' customers. In addition, other financial institutions that have financed us in the past may see us as a competitor now that we have obtained a banking license. This could affect our ability to access financial resources on the same terms as we are able to currently.

Should we no longer be able to access, maintain or refinance funding sources or should we be unable to find sufficient financial resources for the operation of our business, this could have a material adverse effect on our business, results of operations and financial condition.

In addition, we carry out refinancing transactions with the ECB using trade eligible credits deriving from factoring activities with the public administration through the Collateralized Banks Assets (*Attivi Bancari Collaterali*) platform ("**ABACO**") which allows us to access the Eurosystem by securing receivables owed by the public administration purchased as part of our non-recourse factoring business. We only minimally used the ABACO platform (approximately €130,000 as of 31 December 2015 and €0 as of 31 December 2016). However, we cannot exclude that our use may increase in the future. ABACO is the platform established by the Bank of Italy for the management of eligible loans. To be eligible, a receivable must meet specific eligibility requirements such as the type of debtor/guarantor, high credit standards and minimum amount. As of the date of this Prospectus, our eligible assets include receivables owed by the public administration. ABACO allows us to access financing by using receivables owed by the public administration as collateral for repayment of the loan. If the rules relating to the access to the ABACO platform and/or the type of eligible credit were to change in a way that is prejudicial to us (for example by excluding receivables owed by the public administration from the definition of eligible assets) this could negatively affect our business and we may need to access different types of financing and/or rely more heavily on the sources of funding we currently use. This could have a material adverse impact on our business, results of operations and financial condition.

From 2014, the extension of non-recourse factoring to receivables due from: (i) local authorities that have been subject to a procedure of financial distress and/or rebalancing; (ii) local authorities that might be subject to such procedures; or (iii) local authorities subject to compulsory administrative liquidation who purchase assets already impaired at the moment of the purchase, might result in a lengthening of either the estimated collection times or negotiations with debtors, which might lead to a reduction of capital. This activity could also entail a material increase in the number of the Issuer's (net and gross) non-performing loans. Conversely, an excessive level of funding sources compared to our financial needs could lead to a return on liquidity lower than its cost, which could impact our profitability, and thus could have a material adverse effect on our business, results of operations and financial condition.

We may be unable to monetize assets we pledge as collateral under some of our funding sources.

In addition to the secured financing sources granted to the Group by the banking system (representing approximately €405 million as of 31 December 2016, not taking into account repurchase ("repo") transactions and considering that financial sources granted by the banking system in favour of Magellan are mainly represented by secured financing), we may have access to liquidity guaranteed by the ECB by offering as collateral Italian government bonds registered in our investment portfolio and receivables towards the public authorities in relation to our factoring business as a collateral using the ABACO platform (the "**Collateral**"). As of 31 December 2016 such amount corresponded to €0 million. Moreover, we also use securities included in our portfolio as Collateral to fund our "repo" transactions entered into with third parties on the market. However, it may be impossible to monetize the Collateral as a result of the inability of or delay by our debtors to pay their relative debts. As a result, we may not be able to refinance or repay these forms of financing. In particular, there is the risk that it may be impossible to monetize in the short term without, *inter alia*, worsening the Issuer's liquidity risk as at the term of the financing transaction the resources are again

available for new refinancing transactions and/or used to face the liquidity risk of the Group given the high level of marketability of the relevant investment activities. In terms of liabilities and commitments, our Collateral had a nominal value of €0 as of 31 December 2016 and a nominal value of €1.1 million as of 31 December 2015, comprising €1.1 million of financial assets (over which a pledge has been granted in favour of the ECB and other financial institutions on the basis of *Cassa Compensazione e Garanzia* regulations) and €164 thousand of receivables from customers (pledged by the ECB through the ABACO platform) almost entirely resulting from factoring operations for receivables from the public authorities.

Should the Italian state not be able to repay the Government Bonds making up the Collateral and/or to repay receivables due from the public authorities forming the Collateral, and/or should one or more of the public authorities or the third-party debtors, with regard to which we have granted a pledge over receivables due as Collateral, not be able to repay their debts, in full or in part, it may become difficult or impossible for us (in the absence of equivalent forms of refinancing) to repay the abovementioned forms of financing, or it could force us into accessing more costly forms of refinancing and/or burdensome conditions than usual. Any of these circumstances could have a material adverse effect on our business, results of operations and financial condition.

The seasonal fluctuations in our volumes may result in disruptions to our operations.

Due to our customers' financial requirements, we tend to concentrate the purchase of receivables at the end of the financial year and in the final months of each quarter. Consequently, our business is seasonal, resulting in peaks in the use of capital and demand for liquidity. On the other hand, we carry out the collection of receivables at various times throughout the year, resulting in more uniform levels of distribution throughout the year. Therefore, throughout the year we experience relatively high cyclicality in our financial statements and, in particular, significant changes to the volumes of our assets on our balance sheet.

Our business is exposed to the risk that external factors (such as extraordinary payments made by the public sector) occurring during the periods in which our business experiences the seasonality peaks, could have disproportionate effects on our business operation. In particular, depending on the specific circumstances and the periods in which such events occur, our business could experience fluctuations in terms of volume of purchased receivables, outstanding receivables or collections, which could have a material adverse effect on our business, results of operations and financial condition.

We may be unable to meet the objectives of our growth strategy.

We pursue a growth strategy designed to expand our business into different segments of the national health system and public administration in Italy, Spain and Portugal, and into new and similar European markets organically (as we did in Greece) or through acquisitions, as was the case in the Eastern European Market with the acquisition of Magellan. In order to achieve this growth strategy we have started to take advantage of cross-selling opportunities arising from: (i) a customer base primarily consisting of large multinational companies providing services to the public administration, including the national health system of the countries in which we operate, and (ii) the synergies between our credit management and non-recourse factoring businesses.

We cannot accurately predict whether such actions and the investments we have made to support our growth strategy will be effective or profitable. For example: (i) increasing volumes in order to strengthen our market share, and/or (ii) introducing our services to new foreign markets (such as Portugal and Greece) and new segments of public administration (including the purchase of tax credits claimed by companies from the competent Italian tax authorities), may not produce the results we expected since we do not have extensive experience or a database with sufficient information on payment procedures in the new markets and business sectors.

In 2015, we also expanded our non-recourse factoring business to debtors of the non-health public administration in Spain (including the both the private and public sectors) and made investments to support our growth in the Italian, Spanish and Portuguese markets (including the launch of "*Conto Facto*" in Italy and "*Cuenta Facto*" in Spain), and, starting from 2016, also in the German market (through the online platform *Welstparen.de*), which could turn out to be ineffective. In 2017 we started to expand our factoring activity to debtors of Public administration (non-health) in Portugal and we started direct lending activities to local government units in Czech Republic (as we have been doing in Slovakia since 2015). In addition, the

investments we made since 2014 in new personnel to support growth may not reach adequate quality levels or we may not be able to retain such personnel. The high level of specialization of our key personnel in our credit management and non-recourse factoring businesses may also hinder our growth strategy of targeting new markets.

Furthermore, since 2014 we have established a strategy aimed at diversifying and expanding our distribution channels. We have entered into agreements with banks, brokers and other financial institutions including insurance and reinsurance companies ("**Intermediaries**") in order to promote our services amongst such Intermediaries' customers. These agreements provide for the exchange of data and are aimed at the reporting of factoring opportunities to us by Intermediaries and the promotion of our services amongst any of the Intermediary's customers that are creditors of the government and/or the national healthcare system. Intermediaries are not involved in the negotiations and agreements which we have entered into directly with individual customers. Given that we have developed these indirect distribution channels only recently, we are exposed to the risk that the pool of targeted customers has not been identified correctly and that the resources invested for the development of commercial relations do not generate the expected results. The agreements entered into with Intermediaries include confidentiality clauses. However, we cannot rule out that Intermediaries may breach their confidentiality undertakings and disclose confidential information regarding our services to third parties. In addition, these agreements do not contain exclusivity clauses in our favour, and therefore Intermediaries may also endorse the services provided by our competitors amongst the same pool of customers. Furthermore, we are exposed to reputational risks if Intermediaries do not properly represent our products, services and activities to customers or conduct their activities in a way which is not in line with our code of ethics.

Moreover, in line with our growth strategy of penetrating European markets with similar characteristics to the Italian, Spanish and Portuguese markets, in 2016, we, through our subsidiary Mediona, acquired Magellan, a leading operator on the market for the supply of financial services in the health sector in Poland, the Czech Republic and Slovakia. We are exposed to risks connected with the financial commitments undertaken to acquire Magellan as a portion of the relative purchase price was obtained under a loan in PLN expiring on 31 May 2019. If our acquisition of Magellan does not produce the growth or benefits we expected, this could have a material adverse effect on our business, results of operations and financial condition. For more detailed information concerning the acquisition of Magellan, see "*Description of the Issuer—Description of Our Business Activities by Service Segments—Magellan—Acquisition of Magellan*".

In addition, we are also considering starting to operate in other markets in the future as we did in Greece, with respect to which, in February 2017, we submitted our first filing with the Bank of Italy to offer factoring services under the freedom to provide services. We obtained the relevant authorisation by the Bank of Italy on 28 March 2017 and in September 2017 we completed our first acquisition of a portfolio of credits towards public hospitals in Greece for a nominal amount of approximately €10.0 million. See "*Description of the Issuer—Recent Developments—Expansion of our business in Greece*". Furthermore, in October 2017, we submitted a filing with the Bank of Italy to open a branch in Portugal and expand our offer of factoring services (currently provided under the freedom to provide services) and we expect that we will start operating a branch in this country presumably in the second half of 2018. See "*Description of the Issuer—Recent Developments—Expansion of our business in Portugal*".

Although we recorded positive results for the years ended 31 December 2015 and 2016, we cannot exclude that, due to factors beyond of our control, in the future we may be unable to maintain and achieve the same or similar rates of growth and profitability levels, or that we may record negative results which progressively weaken our capital structure, having possible adverse effects on our economic and financial situation. We are also exposed to the risk that we may be unable to implement part or all of our growth strategy or within the timeframe we expected, that the assumptions on which we based our growth strategy may be incorrect or that our growth strategy may not achieve the results we expected. Any such failure to develop, revise or implement our growth strategy in a timely and effective manner could have a material adverse effect on our business, results of operations and financial condition.

We may be unable to successfully integrate Magellan's business.

We are exposed to risks related to the acquisition of Magellan, and in particular risks related to (i) the integration of an acquired company within our Group, (ii) the business of Magellan and its subsidiaries, and (iii) the impact of the acquisition of Magellan on our Group's results.

The financial contribution of the Magellan Group to our results for the year ended 31 December 2016 and since the completion of Magellan Acquisition was a profit of €2.9 million which includes €2.7 million for non-recurring costs incurred since June 2016.

Before the acquisition, Magellan was not subject to the regulatory framework concerning banks and/or financial intermediaries and remains an unregulated business. However, as Magellan belongs to a banking group, it must adopt certain processes and procedures in accordance with the Group regulation. In this regard, it is not certain whether Magellan is capable of fully and/or efficiently complying with the applicable rules and regulations following its entrance into the BFF banking group.

Whether we can achieve synergies and growth as a result of our acquisition of Magellan will mainly depend on our capacity to successfully integrate Magellan within our Group. Difficulties could arise concerning the coordination of two different business models, management and staff, as well as the integration of IT systems, structures and existing services. The integration of Magellan within our Group will also lead to higher costs. Furthermore, should we be unable to fully integrate the managing control systems or operating procedures we could be fined by the competent authorities. Any failure to achieve desired synergies could have an adverse effect in terms of earnings, growth opportunities and the development of business volumes.

The acquisition of Magellan also involves risks connected with the growth in new markets (including Poland and to a lesser extent Slovakia and the Czech Republic) where we have not carried out business before and therefore do not have the same level of experience as that acquired on the Italian market. Among these risks is the risk of not being able to retain Magellan's key management. We are also exposed to country risks related to Poland, Slovakia and the Czech Republic and to increased credit risk towards Magellan's counterparties. With respect to such markets, there are certain risks connected with the default of central governments and the impact that this may have on debtors' ability to repay their debts, as well as any regulatory changes that could affect our credit management and non-recourse factoring businesses.

We paid approximately €103.1 million to acquire Magellan, including €22.1 million as goodwill, calculated as the difference between the book value of the acquired equity estimated as of the purchase date and the purchase price. Such amount could change within the 12 months following the purchase date as a result of the allocation of the purchase price to the individual assets and liability items ("**Purchase Price Allocation**" or "**PPA**"). At the end of each financial year there will be an evaluation of the amount recorded as goodwill (*i.e.* an impairment test) in order to determine any impairment, in accordance with IAS 36 ("**Impairment Test**"). Should our ability to generate cash flows or our economic results worsen or significantly differ from the estimates and forecasts concerning Magellan in the future, we would need to make adjustments to the book value of the goodwill. Such adjustments, equal to the difference between the recoverable value and the book value of the goodwill, would involve recording write-downs in our income statement with a corresponding material adverse effect on our business, results of operations and financial condition.

On 18 May 2016, in connection with the authorization for the Magellan Transaction (as defined below), the Bank of Italy recommended that we adopt several measures in order to ensure integration with Magellan and its subsidiaries and that the resulting new structure of the Group complies with the requirements of healthy and prudent management, and with certain specific obligations imposed by applicable banking regulations. See "*Description of the Issuer—Description of Our Business Activities by Service Segments—Magellan—Acquisition of Magellan*". If we were not able to correctly implement the measures recommended by the Bank of Italy, or if their implementation involved high and/or unexpected costs, this could have a material adverse effect on our business, results of operations and financial condition.

Therefore, our ability to successfully integrate Magellan into our business depends on several factors, many of which are beyond our control. The acquisition of Magellan may disrupt our ongoing business and distract our management from other responsibilities. Any such disruption or manifestation of the above risks could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to credit risk towards Magellan's counterparties.

We are exposed to credit risk in relation to Magellan's business, i.e. the risk of a contracting party's failure to pay its liabilities, which would expose Magellan to financial losses. The credit risk management objective is to build a stable and well-balanced portfolio of financial assets and minimize the risk of impairment in relation to recorded exposure, whilst at the same time maintain the projected profitability and credit portfolio value. In

the course of its business Magellan enters into transactions with creditworthy parties and, if necessary, the risk of financial losses due to default is reduced with the use of collateral. In addition, Magellan's exposure to credit risk has been monitored on a continuous basis.

The activities carried out by Magellan involve both the public and private sectors. Creditworthiness of public sector entities is analysed on the basis of the delay in liabilities repayment and converted into commercial code entities according to the relevant provisions of the Polish act on medical activity (the "**Act on Medical Activity**"). The credit risk evaluation procedure pertaining to private sector entities subject to with bankruptcy risk involves several different features and parameters. For each transaction, the credit risk is measured when analysing a transaction request and then continuously monitored during the course of the transaction, including updating or changing external conditions and financial standing of debtors as required. The expected credit risk level is secured with collateral accepted by Magellan, the value of which is then monitored and depreciated when necessary. Magellan also monitors exposure concentration risk towards individual entities or groups of related entities. The credit and transaction procedures adopted by Magellan allow only authorized individuals to make credit decisions. In particular, each potential transaction is subjected to an initial credit decision made by individuals who are appointed according to the rules regarding credit competencies in Magellan and its subsidiaries. Magellan's Credit Risk Department evaluates credit risk and monitors their asset portfolio. The assets held by Magellan are mainly loans to and receivables from public and publicly owned healthcare institutions and local government entities, which, as of the date of this Prospectus, do not present a risk of bankruptcy. The factoring without recourse towards the public sector only represents a minor segment of Magellan's business, due to strict Polish legal requirements. In addition, Magellan also carries out a small with recourse factoring activity.

The counterparty verification procedure that Magellan uses to assess creditworthiness is tailored to Magellan's business model and is consistent with market standards. However, it cannot be ruled out that, despite passing the verification process, the counterparties do not meet their obligations toward Magellan. A failure of Magellan's debtors to complete their obligations may have a negative impact on Magellan's financial condition and its ability to fulfil its own obligations. This could have a material adverse effect on our business, results of operations and financial condition.

Our business is exposed to a variety of operational risks, including fraud, errors, security breaches or other adverse events, some that are wholly or partially out of our control.

In conducting our business we are exposed to different types of operational risk, such as the risk of losses resulting from, among others: (i) internal or external fraud; (ii) customer claims and disputes; (iii) unauthorized activity or transactions in capital markets; (iv) penalties for breaches of any applicable laws; (v) errors, omissions and delays in providing our services; (vi) inadequacy or incorrect functioning of internal procedures, including, in particular, failure to follow procedures for the identification, monitoring and management of business risk; (vii) shortcomings in the preparation and/or preservation of the documents relating to our transactions; (viii) human errors or lack of resources; and (ix) damage to property caused by weather, other conditions or natural disasters. Our procedures may prove to be inadequate to cover all types of risks that could arise. There can be no assurance that we will not suffer losses from operational risk in the future. The occurrence of any of these risks could have an adverse effect on our business, results of operations and financial condition.

Our business activities require us to record and process a large number of transactions and handle large amounts of money accurately on a daily basis. The proper functioning of financial control, accounting or other data collection and processing systems is critical to our business and to our ability to compete effectively. Given our high volume of transactions, errors may be repeated or compounded before they are discovered and rectified, and there can be no assurance that risk assessments made in advance will adequately estimate the costs of these errors. Additionally, we face the risk of theft, fraud or deception carried out by clients, third-party agents, employees and managers. If persons are able to circumvent our security measures, they could wrongfully use our confidential information or that of our clients, which could expose us to a risk of loss, regulatory consequences or litigation and could negatively impact our reputation and brand name. Consequently, we could suffer reputational and/or financial harm, which could have a material adverse effect on our business, results of operations and financial condition.

If, for example, our information systems failed, were shut down or breached, even for a short period of time, it could result in considerable costs for information retrieval and verification or in wrongful use of our

confidential information or that of our clients (including personal data). We would also be unable to serve some customers' needs which may lead to us losing their business. Even though we work with our clients, vendors, service providers, counterparties and other third parties to develop secure transmission capabilities and we have back-up recovery systems and contingency plans that we consider to be state-of-the-art, there can be no assurance that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed by us. This, in turn, could expose us to a risk of loss or litigation and could have a material adverse effect on our business, results of operations and financial condition.

Although we maintain a system of controls designed to keep operational risk at appropriate levels, we have suffered losses from operational risk and there can be no assurance that we will not suffer losses from operational risk in the future.

We have adopted the measures required under Legislative Decree of 8 June 2001, No. 231 ("**Decree 231**") and, as of the date of this Prospectus, we are not implicated in any sort of proceeding commenced under Decree 231. However, we cannot exclude the possibility of such an event in the future. For example, should any of our managers or employees engage in misconduct in carrying out their duties, the mechanisms we have in place may be deemed inadequate and we may be subject to sanctions (including fines and, in the most serious cases, disqualification, prohibition to carry out our business, suspension or revocation of licenses and authorizations) which could have an adverse effect on our business, results of operations and financial condition. We must also comply with the money laundering legislation set forth by Legislative Decree of 21 November 2007, No. 231. Furthermore, the Board of Directors of Farmafactoring España approved the "Farmafactoring España S.A. Organizational, Management and Control Model pursuant to art 31-bis of the Criminal Code" (the "**Model**") in order to comply with Article 31-bis of the Spanish Criminal Code. In addition, in accordance with Polish regulations, Magellan adopted specific guidelines on anti-corruption and appointed its Compliance Chief Officer as the monocratic body in charge of overseeing compliance with anti-corruption provisions.

We cannot exclude that, in carrying out our business, we may breach such legislation. For example, by not properly carrying out background checks on customers, we may breach the requirements of Decree 231.

We are also exposed to risks connected with the electronic invoicing obligation for receivables from the public administration, as set out in Legislative Decree of 24 April 2014, No. 66. Furthermore, any malfunction and/or error in the systems adopted by our customers to comply with this new legislation could result in delays in the collection of receivables, write-offs or a reduction in the volumes we manage or our points of sale, which could have an adverse effect on our business, results of operations and financial condition.

As of the date of this Prospectus we have experienced a standard amount of malfunctioning connected to our business, which have been resolved on time and without any material impact on our business and activities.

The capital absorption relating to operational risk was equal to €29.8 million and €24.5 million as of 31 December 2016 and 2015 respectively.

Should we breach any of the requirements we are subject to or experience a major issue with any operational risk, this could have an adverse effect on our business, results of operations and financial condition.

Any malfunction or defect in our information and technology ("IT") systems could materially impact our ability to operate our business.

Our business relies on the proper and uninterrupted functioning of our IT and data processing systems, and in particular our factoring system. We have made significant investments to develop our IT system. However, any serious failure of the factoring system or of our disaster recovery plan or any external IT attacks could interrupt our business or materially affect our activities.

Risks related to technology and cyber-security change rapidly and require continued innovation and investment. Given the rapidly increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches in our security. Any of these disruptions, the inability to adequately manage cyber-security risk, or the interception of confidential or proprietary information could give rise to losses in service to our customers and to loss or liability to our Group.

We recently adopted certain new information systems which exposes us to possible risks in connection with such, including possible malfunctioning, poor integration with the existing structure and/or scarce capacity of employees to familiarize with these systems. In providing the services offered and in performing all of the activities related to administrative, financial, accounting and regulatory governance, we use our own information systems as well as those of third parties, that enable integration among the distribution structure, internal operating structures and software applications through which customers access the services offered.

One of the main threats to our business consists of operational, strategic and reputational risks that may arise from internal factors such as: (i) the interruption of information systems, which could have a material adverse effect on business activities; (ii) proficiency of staff, as well as the quality of training methods (which could influence the quality of operations and, in parallel, the need to perform controls on them); (iii) potential material errors arising from human error and malfunctioning of information systems; and (iv) potential culpable and/ or malicious actions by the internal personnel or external collaborators and/or external factors such as the unlawful intrusion into information systems, the damaging of the same and theft of data and/or information, the interruption or the malfunctioning of utility services and external connectivity services.

In addition, our ability to remain competitive depends in part on our ability to upgrade our information technology on a timely and cost-effective basis. In the future we may not be able to maintain the level of capital expenditures necessary to support the improvement or upgrading of our information technology infrastructure. If the design of our controls and procedures prove inadequate, or are circumvented, delays in detection or errors in information may result. Consequently, our reputation could be damaged and our competitive position weakened. We may also be subject to disruptions or breaches of its operating systems, or of the infrastructure that supports it, arising from events that are wholly or partially beyond our control. This includes, but is not limited to, disruptions or breaches caused by terrorist activities, computer viruses, disease pandemics, electrical or telecommunication outages, transportation or other services used by us or third parties with whom we conduct business.

Any serious or repeated system failure that results in the loss of information on payment patterns and timing contained in our database or in such information becoming inaccurate or unreliable could compromise our ability to competitively purchase or manage receivables, and may require material investments to address the system failure, which could have a material adverse effect on our business, results of operations and financial condition.

We collect, store and process sensitive personal data of our customers and any failure to properly treat data may lead to reputational damage or legal liability.

The measures and procedures adopted by us and/or the Group companies for the storage and processing of personal data relating to our customers may prove to be inadequate and/or not in compliance with regulatory and legal provisions, and/or not to be implemented properly by Group employees and associates.

In carrying out our activities we collect, store and process the personal data of our customers in conformity with Legislative Decree No. 196 of 30 June 2003 (Personal data protection code) and the rules and regulations in force at any given time. We have adapted our internal procedures and adopted the necessary technical arrangements in order to conform to the requirements of Provision No. 192/2011 issued by the Italian Data Protection Authority containing the regulations regarding access to and the processing of banking data. Customers' personal data is stored at our registered office by the persons designated by the owner of such data and with the necessary capabilities to prevent unauthorized access from the outside or the (total or partial) loss of data and to guarantee the continuity of the service. In addition, we have also adopted internal procedures and measures aimed at regulating access to the data by our personnel and how the data is processed for the purpose of preventing unauthorized access or processing.

Despite the above, we remain potentially exposed to the risk that the procedures implemented and the measures adopted may prove to be inadequate and/or not in compliance with the laws and regulations in force from time to time, and/or may not be promptly or properly implemented by employees and associates (also due to continuous changes in the rules and procedures themselves). Thus, the data could be subject to damage, loss, theft, disclosure or processing for purposes other than those authorized by the customers, or even use by unauthorized parties (whether third parties or employees of companies of the Group). The possible destruction, damage or loss of customer data, unauthorized processing or disclosure, could have a negative

impact on our operations and our reputation and could lead to the Italian Data Protection Authority imposing fines on us.

Furthermore, as our business is subject to the application the Ethics Code of the Authority for the Guaranty of Protection of Personal Data (the "**Guaranty Authority**") (*Autorità Garante per la Protezione dei Dati Personali*) for the protection, collection and processing of personal data. Any eventual changes in such legislation governing the protection, collection and processing of personal data and any amendments thereto, including on an EU level, could force us to bear the costs of adapting to the new legislation.

If any of these circumstances occur, it could have a material adverse effect on our business, including our reputation, and an application of administrative and criminal penalties by the Guaranty Authority, to one or more companies of the Group or their representatives, which could have a material adverse effect on our business, results of operation and financial condition.

Our risk management policies, procedures and methods may leave us exposed to unidentified or unanticipated risks.

Our risk management system, internal controls and human resource department may not be sufficient in order to properly identify, monitor and manage the potential risks that we are exposed to in the course of our business, including credit, counterparty, liquidity, market, interest rate, concentration, operational and IT risks. In addition, risk management on Magellan has been implemented only recently and it is only carried out indirectly by the Issuer without direct oversight.

If the policies and procedures we use to identify monitor and manage risk turn out to be inadequate or not properly implemented, or our assessments and assumptions turn out to be inaccurate, thus exposing us to unforeseen and unquantified risks, we may incur significant losses, which could have a material adverse effect on our business, results of operations and financial condition.

Furthermore, even if our internal procedures for the identification and management of risk are adequate, the occurrence of certain events that cannot be predicted or quantified (in light of the uncertainty and volatility that currently characterizes global markets) may increase such risks, which could have a material adverse effect on our business, results of operations and financial condition.

We are dependent on third-party suppliers and service providers.

We outsource certain important services to third parties. In particular, we have agreements with such third parties in place for the outsourcing of (i) services relating to the development, integration and management of an IT platform for certain back-end activities connected with banking operations (such as the management of the term deposit account "*Conto Facto*" and "*Cuenta Facto*", Bank of Italy and Bank of Spain's notices and a database containing customer and debtor information), and (ii) certain services relating to the opening of term deposit accounts and customer background checks.

Any omission, error, delay or interruption by our suppliers in the provision of their services, could impair their ability to fulfil their contractual obligations. In addition, service level continuity could be disrupted by the occurrence of events having a negative impact on suppliers, such as a filing for bankruptcy or the commencement of insolvency proceedings against them.

Disruptions in our IT services could also affect our reputation, in particular if the software used by customers is affected.

As of the date of this Prospectus, we have not experienced any significant interruption by our suppliers in the provision of their services resulting in the interruption of our business operations (any issues which did occur were resolved within the expected timeframe and were standard issues, considering the nature of the services provided) and our suppliers have generally complied with their contractual obligations. However, given that we depend on these services for the proper functioning of our business, any disruption in these services in the future could have a material adverse effect on our business, results of operations and financial condition.

We may not be able to attract and retain key personnel.

The results and the future success of our business depend on our ability to attract, retain and motivate highly skilled individuals within our management team who have expertise in the business sector in which we operate.

As of 31 December 2016, we had 409 employees (and equivalent personnel) of which 202 employed by the Issuer (of which 9 are active in the branch in Spain), 23 employed by Farmafactoring España and 184 employed by the Magellan Group. The loss of one or more key individuals or our inability to attract and retain further qualified personnel could cause our business to lose its competitive advantage.

In the past three years there has been no notable turnover of our managers, in light of the fact that there are very few key individuals in the sector in which we operate. Therefore, should we have need for additional or new management, we cannot guarantee that we will be able to attract and retain the qualified personnel upon which our business relies. In addition, we invest a considerable amount of time and resources in training our employees to be highly qualified and, as a result, our employees are often sought after by competitors. We may not be able to recruit and retain such personnel at levels consistent with our salary structure since some competitors may be able to offer more favourable working conditions.

In addition, any changes to European banking legislation to which we are subject could impact the compensation of our managers, which might make it more difficult for us to attract and retain qualified management.

Our inability to attract or retain qualified personnel could have a material adverse effect on our business, results of operations and financial condition.

We are involved in disputes, investigations and legal proceedings which could have a material adverse effect on us or on our recovery capability.

In the ordinary course of our business, we are exposed to the risk of being party to legal, civil, administrative and tax proceedings or actions. Although we believe that we have set aside sufficient reserves to cover ongoing proceedings, we cannot predict with certainty the outcome of such proceedings, which may be unfavourable for us, or whether new unexpected proceedings may arise, both of which could have a material adverse effect on our business, results of operations and financial condition. In the year ended 31 December 2016, we made provisions, in application of prudential criteria, for an aggregate amount of €2,075 thousand to cover risks and charges. See "*Description of the Issuer—Legal Proceedings*".

We are subject to regular inspections by the Bank of Italy and may be required to implement measures set out by the regulators.

During 2015, we were subject to (i) an inspection carried out by the Bank of Italy (Banking and Financial Supervisory Department) pursuant to Articles 54 and 68 of the Consolidated Banking Act, and (ii) the 2015 SREP-Supervisory Review and Evaluation Process conducted by the Bank of Italy.

The Bank of Italy inspection ended with a favourable opinion and no sanctions were imposed on us nor were there findings concerning conformity requirements. In addition, on 28 September 2015, we sent the Bank of Italy a report, approved by our Board of Directors on 10 September 2015, in which all the activities implemented and planned (and subsequently completed) were set forth in order to reflect our efforts to update our processes at the conclusion of the inspection. We gave an additional notice to the Bank of Italy on 11 July 2016 confirming that we implemented all items set forth in our report from 28 September 2015.

The 2015 SREP led to the calculation by the Bank of Italy (a Capital Decision) of the minimum capital requirement levels to be complied with, in light of the capitalization level and capital targets we have set. The reduction of the capital conservation buffer requirements (on which see below) could not be reflected in the final decision of the regulator on our compliance with the relevant capital requirement as part of the 2015 SREP. The limits set out by the 2015 SREP exclusively relate to the consolidation perimeter and as of 31 December 2016 we have been compliant with the limits provided under the regulatory framework.

In 2016 we were subject to the Bank of Italy's SREP in accordance with applicable regulations. Following the conclusion of the annual SREP process, on 10 March 2017 the Bank of Italy informed us of the initiation of

the administrative procedure concerning the adoption of a capital decision, without expressing a specific assessment of the Group's level of risk. We have not requested further examinations of the Bank of Italy's decision, which therefore has become binding 90 days after the Bank of Italy's communication. As a result, the Bank of Italy requested the Group (with reference to the consolidation perimeter for the purposes of the CRR) to comply with the following minimum capital ratios, each of which including the capital conservation buffer component: (i) 6.55% in relation to the Common Equity Tier 1 ratio, previously set at 7.3%; (ii) 8.35% in relation to the Tier 1 Ratio, previously set at 9.8%; and (iii) 10.75% in relation to the Total Capital Ratio, previously set at 13.0%. We cannot exclude that the SREP process carried out by the Bank of Italy in relation to the Company may lead to the application of more stringent capital requirements with regard to the Group in the future.

Despite being higher than the minimum levels set by the Bank of Italy, the solvency indicators have shown a downward trend connected to the development of our business policies (*i.e.* the increase of risk positions due to business expansion) and the completion of the Magellan acquisition carried out in implementation of our growth strategy. Negative impacts on capital requirements may also arise from the incidence of other factors like the deterioration of credit quality, a decrease of assets, increase in litigation, as well as external factors and unforeseeable events that are out of our control or following further Supervisory Authority requests. We cannot exclude the possibility of future changes concerning the current calculation risks of our assets in relation to the countries in which we operate.

Furthermore, the Bank of Italy, in connection with the authorization of the Magellan Acquisition, recommended the adoption of specific measures aimed, in particular, at ensuring the full direction and coordination of the Polish subsidiary, with the simultaneous reinforcement of the internal controls system and the extension of our policies to Magellan and its subsidiaries. The Bank of Italy also requested the definition of a capital plan - for a minimum basis of three years - that takes into account all of the planned strategic initiatives and describing the capital management initiatives capable of ensuring the current and future compliance with the supervisory requirements with reference to both the Capital Decision (SREP) and the ECB recommendation issued in connection with the acquisition by the majority shareholder (maintaining, as provided in our business plan and our dividend policy, a level of Total Capital Ratio of 15% prior to carrying out any distributions of dividends as long as the majority shareholder continues to have a controlling stake in our share capital).

The effectiveness of the measures undertaken by us will be the subject of an analysis by the Supervisory Authority at the time of the next SREP. As of this date, it is not possible to evaluate the effectiveness of the initiatives we recently implemented in order to comply with the recommendations of the regulator, and there can be no assurance that such initiatives will be adequate. We cannot exclude the possibility that, following any future evaluations or inspections by the Supervisory Authority, we may have to put into place further measures in order to respond to any imposed requirements. We also cannot exclude the possibility that the measures requested by the Bank of Italy and implemented by us could later reveal themselves to not be fully effective over a period of time.

In addition, between August and December 2016 we were subject to an inspection carried out by the Bank of Italy in relation to loans granted by the Issuer to the Bank of Italy through the ABACO platform, the outcome of which inspection was positive. Furthermore, in September 2017 the Bank of Italy started another inspection in relation to the procedures used by us to manage loans granted as collateral for the Euro-system credit operations, the outcome of which inspection was positive. However, we cannot exclude that, following any future evaluations or inspections by the Supervisory Authority, we may have to put into place measures in order to respond to any imposed requirements.

Should we be forced to implement new initiatives, or should our initiatives be insufficient to cure any deficiencies, it could have a material adverse effect on our business, results of operations and financial condition. See "*Description of the Issuer—Legal Proceedings*".

Calculation methods used to estimate the recoverability of the late payment interest may impact our ability to accurately predict our cash flows.

We calculate late payment interest on receivables that we have purchased in accordance with applicable law in Italy (Legislative Decree No. 231/2002, the implementation of Directive 2000/35/EU on combating late payment in commercial transactions) and similar laws in the other countries.

EU IFRS (IAS 18) permits the inclusion of interest in a company's income statement only if it is likely to generate positive cash flows for a company and such projected cash flows can be estimated reliably.

Until 31 December 2013, we did not recognize non-invoiced late payment interest accrued on our portfolio of receivables and we completely wrote-off any invoiced and uncollected late payment interest by creating a provision concerning reduction of assets. Concurrently with actual collection of the late payment interest, the write-off was reversed and these amounts were acknowledged in our income statement, based on the percentage of actual recovery. In 2014, we adopted evaluation tools that allow us to use our historically collected since 2010 data and calculate reliable estimates of the amount of late payment interest that will be collected and the timing for collection. Starting in that year, we have estimated, on the basis of our historical data on collected amounts and timing for collection, the percentage of the amount of late payment interest that will be collected to be equal to 40% of its accrued value at the date of collection (estimated to fall within 1800 days from the maturity date). Starting from 1 January 2017 our management, on the basis of our historical data on collected amounts and timing for collection, and in relation to the portfolio of receivables managed by the Issuer and Farmafactoring España only, has resolved to increase the estimation of the percentage of the amount of late payment interest that will be collected up to 45%.

As of 31 December 2016 (not including Magellan) and 31 December 2015, the late payment interest fund amounted to €547 million and €460 million, respectively, of which €186 million and €151 million were recognized in the income statement as of 31 December 2016 and 2015.

As the method adopted in order to evaluate late payment interest is based on estimates, there is a risk that the percentages of future income from late payment interest actually received by us will not match with those estimated by us.

Moreover, on 9 November 2016 the Bank of Italy, CONSOB and IVASS issued a document concerning the methods of estimation to be used in order to calculate late payment interest. Although we consider ourselves to be in line with these provisions, we cannot exclude that the competent supervisory authorities may detect criticalities in the future concerning the estimation process.

Furthermore, there is also a risk that in the future, when updating our historical data, we may need to adjust receivables recorded in previous years as well as estimates of our predicted cash flows, recalculate the value of the late payment interest fund and record the effects of these changes in our income statement. A misalignment between our estimates and our actual results could have a material adverse effect on our business, results of operations and financial condition.

We have significant outstanding indebtedness, some of which contain restrictive debt covenants, which limits our operating flexibility.

Our business (including the Traditional Activities and activities carried out by Magellan, excluding Credit Collection Management only) relies heavily on our access to funding resources consistent with the quality and cost criteria established by our business plan. As of 31 December, 2016, our Group (excluding Magellan) had outstanding indebtedness of €2.113 million, of which bank and third-party loans of €822 million related to on line deposits, utilized loans and credit limits including overdraft facilities in the total amount of €756 million, securitisations of €85 million and bonds of €450 million.

As of 31 December 2016, Magellan had outstanding indebtedness of €183 million, of which utilized loans and credit limits including overdraft facilities in the total amount of €88 million and bonds of €95 million.

Risks related to our indebtedness

As of the date of this Prospectus, we have issued €150 million in aggregate principal amount of 1.25% Notes due 2021 (the "**2021 Notes**"), €100 million in aggregate principal amount of 5.875% fixed rate reset callable subordinated Tier 2 Notes due 2027 (the "**2027 Notes**") and €200 million in aggregate principal amount of 2.000% Notes due 2022 (the "**2022 Notes**" and, together with the 2021 Notes and the 2027 Notes, the "**Existing Notes**"). Furthermore, Magellan has issued bonds under a PLN750 million bond programme, of which PLN 173.1 million and €15.6 million was outstanding as of 30 September 2017. Moreover, we have carried out two securitisation transactions, one with the Deutsche Bank Group (which is currently into its amortization period) and one with the Bayerische Landesbank Group. See – *We may face ongoing liability under our securitisation arrangements*.

In addition, we have entered into certain loan agreements with national and international financial institutions (the "**Loan Agreements**"), the majority of which provide for revolving short-term credit lines of a principal amount not exceeding €100,000,000 (per counterparty and limited to unsecured credit lines) to be made available to us for the purposes of managing our cash requirements and, more generally, meeting our financial needs in the ordinary course of business.

In accordance with market practice for similar transactions, our existing financing arrangements include events of default, information undertakings, negative pledges, restrictions in carrying out certain types of transactions, financial covenants, and restrictions in disposing of our assets and the obligation to reinvest the proceeds from such disposals in our core business activities or, if this is not done within a certain deadline, to use the proceeds for the early repayment of the loan.

As of the date of this Prospectus we are in compliance with the Existing Notes and the Loan Agreements; however, if an event of default were to occur in the future or if we were to breach any obligation thereunder and fail to remedy such event of default or breach during the relevant grace period, the Existing Notes and the amounts due under the Loan Agreements could become immediately due and payable.

Our ability to repay outstanding amounts or to comply with the terms and conditions of the Notes is linked to the timing for collection of the non-recourse receivables purchased as well as to our ability to raise sufficient liquidity to make payments to our lenders and noteholders, respectively, as they become due. There is a risk that on the repayment dates of the Notes and/or the Loan Agreements, or should the lenders and/or noteholders demand immediate repayment/redemption of the outstanding amounts, we may not have sufficient funds to make such payments. In addition, if we need to refinance our debt, we may be required to accept less favourable contractual conditions and interest rates as compared to our existing financing, which could have a material adverse effect on our business, results of operations and financial condition.

Our outstanding level of debt will have important consequences for us including the following: (i) continued requirement for us to satisfy our debt or contractual obligations; (ii) exposing us to the risk of increased interest rates as certain of our loans have variable rates of interest; (iii) requiring us to dedicate a portion of our cash flow to repay commitments / payment referred to the Magellan loan agreements, which would reduce the funds available for working capital, capital expenditures, investments, acquisitions and other general corporate purposes; (iv) limiting our flexibility in planning for, or reacting to, changes in our business, future business opportunities and the industry in which we operate; (v) placing us at a competitive disadvantage compared to any of our less leveraged competitors; (vi) increasing our vulnerability to a downturn in our business and both general and industry-specific adverse economic conditions; and (vii) limiting our ability to obtain additional financing at a favourable cost of borrowing, or if at all, to fund future working capital, capital expenditures, investments, acquisitions or other general corporate requirements.

Despite our current level of indebtedness and the restrictive covenants, we cannot exclude incurring additional indebtedness in the future, in order to finance, *inter alia*, our operations or capital needs, which would intensify our leverage risks.

We may face ongoing liability under our securitisation arrangements.

As of 31 December 2016, we had a single securitisation transaction outstanding with the Deutsche Bank Group. Originally entered into in October 2012 renewed in July 2014 and again in August 2016, the operation consists of the non-recourse sale of receivables due from the *Azienda Sanitaria Locale* ("**ASLs**", the Italian local health authorities) and *Aziende Ospedaliere* ("**AOs**", the Italian public hospital trusts), with the aim of diversifying our funding activities.

The table below summarizes the main information regarding the securitisation transaction with the Deutsche Bank Group as of 31 December 2016 and 2015.

Bank	Vehicle	Start date	Status	Nominal Outstanding at 31 December	
				2016	2015
Deutsche Bank Group	Farmafactoring SPV I S.r.l.	October 2012[(a)]	Amortisation period(*)	140.3	250.5

(*) Started in July 2017.

(a) Operation renewed early in July 2014 with initial maturity in October 2014, later renegotiated in 2015 and renewed in August 2016 with a new revolving period in place until 31 July 2017.

As of September 30, 2017, we have another securitisation transaction outstanding with the Bayerische Landesbank (BayernLB) Group. Entered into in July 2017, the operation consists in the non-recourse sale of receivables due from the ASLs and AOs to a special purpose vehicle named BFF SPV S.r.l. ("**BFF SPV**") up to a nominal amount equal to €150 million, with the aim of diversifying funding activities. The purchase of the receivables is financed by BFF SPV by issuing securities up to a total of €150 million, underwritten by Corelux, a company in the BayernLB Group, using liquidity placed at its disposal by BayernLB AG.

The securitisation structure provides for a revolving period during which sales of the revolving receivables will be made against collections of the receivables to maintain the contractually stipulated collateralization ratio. The revolving phase started with the issue date, which occurred on 15 September 2017 with the issue and payment of the senior notes.

In our capacity as originator, sub-servicer and subordinated loan provider, we maintain involvement in the securitisation activity, even if we definitively sell the loans. At the end of the transactions, following the repayment of the securities and other senior expenses of the operation, all residual amounts from the collection of the loans sold, including any late-payment interest, will be due to us as the subscriber of the subordinated loan. As a result of this condition, together with the right of the company to repurchase and/or replace the loans at any time, all risks and benefits of the transactions have not been transferred to the assignee, therefore we remain exposed to credit risk. As of 31 December 2016 and 30 September 2017, we have not subscribed asset-backed securities in relation to the transactions in question. Should any of the credit risk materialize, we may face liability, which could have a material adverse effect on our business, results of operations and financial condition.

No credit rating has been assigned to us, which could hinder our ability to access funding.

As of the date of this Prospectus, no credit rating has been assigned to us by independent rating agencies. In the absence of a credit rating, investors will not possess such information for the assessment of our degree of solvency and risk level.

Although an issuer's ability to fulfil its obligations, arising from the issuance of debt instruments and money-market instruments, is evaluated through the credit ratings assigned by independent rating agencies, an assigned rating may not reflect the potential impacts of all risks related to the structure, market and additional risk factors to which we make reference. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgement, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of assigned credit ratings may adversely affect the cost and terms and conditions of our financing.

Although as of the date of this Prospectus the absence of a credit rating in respect of the Issuer has not been an obstacle to obtaining the financial resources we need to operate our business, we cannot rule out that in the future this could hinder our ability to access funding. Should we fail to be able to access adequate funding, this could have a material adverse effect on our business, results of operations and financial condition.

We have significant related party transactions with our affiliates

We maintain relationships of a commercial and financial nature with companies belonging to the Group, subsidiaries, holding companies and other related-parties identified on the basis of the criteria defined by international accounting standard IAS 24.

The primary purpose of the main existing relations between our Group and related-parties is: (i) providing services relating to support in the preparation and sending of supervisory reports; (ii) transactions under the scope of "*Conto Facto*" term deposit account relations subscribed by Group Directors on the same conditions offered to the public; (iii) compensation and remuneration paid by us to Directors and Senior Managers with strategic responsibilities; and (iv) loans to subsidiaries.

We also engage in: (i) securitisation transactions, (ii) transactions involving royalties relating to the use of IT rights and related services, (iii) and, to a minor extent, in guarantees with other companies of the Group.

We believe these relations were established under market terms and conditions. However, there is no guarantee that where these operations were concluded between or with, non-related parties, they would have negotiated and agreed the contracts, or carried out the operations governed by the same, under the same conditions and the same methods. Related-party transactions are heavily regulated. Should we be found to be in violation of any such regulations, it could have a material adverse effect on our business, results of operations and financial condition. See also "—*Changes in tax laws or the tax rate to which we are subject could materially impact our financial position*".

Risks Related to Our Industry

Our business is dependent on certain customary inefficiencies and payment delays in the national health systems in the countries in which we operate.

Our non-recourse factoring and credit management businesses depend on the occurrence of significant delays in payment and administrative difficulties (with respect to both debtors and customers) in the national health system and public administration of the countries in which we do business.

We do not expect the governments of countries in which we operate (Italy, Spain, Portugal, Poland, Greece and, to a lesser extent, Slovakia and Czech Republic) to adopt measures capable of eliminating entirely the structural inefficiencies in the public sector of their respective countries. However, we cannot rule out the possibility that such measures could be successfully adopted in the future or that the public sector (the national health system and public administration in particular) of the countries in which we operate could obtain sufficient funds and implement adequate procedures to materially reduce delays in payments to suppliers. Furthermore, the implementation of such measures may also be accelerated as a consequence of the initiatives that the European Commission has commenced towards those member States that have traditionally longer delays in the payment process. In particular, the European Commission has warned Italy, Spain, Greece and Slovakia with respect to this specific matter and it cannot be excluded that may commence an infringement procedure if those member States do not adopt specific measures to improve the payment terms. In 2017, the Italian government introduced, on an experimental basis, the SIOPE + (Information System on Public Operations) in order to improve the monitoring of the timing of payment of commercial debt by public administrations by integrating the information collected by the entities with those recorded by the registered bills and, potentially, to follow the entire revenue and expenses cycle. SIOPE + will be fully applicable to public administrations in 2018.

A significant reduction in delays in public sector payments in the countries in which we operate could have a material adverse effect on our business, results of operations and financial condition.

The Italian government may request the European Commission to allow it to grant "state aid" in order to combat the impact of the financial crisis

Since the start of the financial crisis in 2007, the attention of the European Union has focused on the need for a European single rulebook on the resolution of banking crises. With effect from 1 August 2013, the European Commission issued a new communication regarding state aid to credit institutions. State aid must be compatible with the law of the European Union (according to Article 107, paragraph 3, letter b), of the Treaty on the Functioning of the European Union).

The granting of any such aid, where the prerequisites are satisfied, may be conditional on a prior "burden sharing", both by shareholders and by some of those who have subscribed subordinated debt or hybrid capital securities, with a parallel curtailment of the rights of such parties, to the extent to which it is legally possible. Moreover, it is not possible to rule out that, as the regulatory framework for state aid is constantly evolving, there could be further restrictions to the rights of shareholders and bond holders during the lifetime of the

respective securities, which could have a material adverse effect on our business, results of operations and financial condition.

Our business is dependent on continued government spending on national health and other segments of the public administration.

We operate in the market of expenditure in goods and services for which the governments of Italy, Spain, Portugal, Poland, Czech Republic, Slovakia and Greece allocate funds to their public bodies, in particular the national health system and other segments of the public administration.

We are exposed to the risk that such governments, following a deterioration of the macroeconomic situation or the introduction of more stringent restrictions on public funding, may significantly reduce the funds allocated for expenditure in goods and services to the national health system and the public administration, which could result in a reduction of the volumes of receivables generated in the sector in which we operate and have a material adverse effect on our business, results of operations and financial condition.

The so-called "split payment" of VAT, firstly introduced for transactions involving public bodies and already extended to other supplies, might be further extended and could impact the way we operate our business.

Law No. 190 of 23 December 2014 (the "**2015 Budget Law**") introduced changes to the VAT regime applicable to transactions carried out by public entities referred to as the split payment mechanism ("**Split Payment Mechanism**"). Under said mechanism, VAT on sales of goods and services rendered by any VAT taxable persons to public entities is paid by the latter, and not by the supplier, as required under the ordinary regime. The VAT payment is therefore made by the customer to the tax authority directly, while the supplier only receives the consideration for its supply, net of any VAT.

Pursuant to Article 1, paragraph 1 of Law Decree No. 50 of 24 April 2017 (converted into Law No. 96 of 21 June 2017) the Split Payment Mechanism was subsequently extended, with effect from 1 July 2017, to supplies of goods and services to other entities and it now applies to supplies carried out in favour of:

(a) national, regional and local public authorities;
(b) companies directly controlled by regional and local authorities;
(c) companies directly or indirectly controlled by the companies mentioned in letters a) and b), above;
(d) companies listed on the stock exchange that are included in the Financial Times Stock Exchange *Milano Indice di Borsa* ("FTSE MIB") index.

The objective scope of the mechanism at stake will be further extended with effect from 1 January 2018, pursuant to Article 3, paragraph 3 of Law Decree No. 148 of 16 October 2017.

One of the effects of the Split Payment Mechanism[1] is that taxable persons who carry out supplies of goods or services subject to said mechanism (i.e. supplies in favour of the above mentioned entities) will be prevented from the possibility to offset VAT paid on their input with output VAT (which is no longer received from their customers on said supplies) and might constantly be in a credit position.

The Split Payment Mechanism was authorized by the Council of the European Union effective from 1 January 2015 and will be applicable until 31 December 2020. By that date, adequate controls should have been developed based on the data acquired through electronic invoicing. We cannot exclude that application of the Split Payment Mechanism will be extended by the Council of the European Union for a further period after 31 December 2020 and, if further extended, it could have a material adverse effect on our business, results of operations and financial conditions.

[1] Additional guidelines concerning both methods of actual VAT payment and identification of the subjects involved are contained in the implementing rules approved with Ministerial Decree of 27 June 2017, which modifies Ministerial Decree of 23 January 2015. The amendments thus approved shall apply to supplies of goods and services invoiced as from 1 July 2017 until expiry of the derogation granted by the EU Council pursuant to Decision (EU) no. 2017/784 (*i.e.*, until 30 June 2020).

Changes in tax laws or the tax rate to which we are subject could materially impact our financial position.

We are currently subject to taxation in various European countries (Italy, Spain Poland, Slovakia and the Czech Republic). Any future changes in tax rates as applied to us could be affected by the proportion of profits earned in countries having different tax rates, changes in the calculation of deferred taxes or changes to tax law and its interpretation.

From 2013, we have benefited from a favourable tax regime introduced by Decree Law No. 201 of 6 December 2011, converted into law, following amendments, by Law No. 214 of 22 December 2011 (the so-called "*Aiuto alla crescita economica*" ("**ACE**")), which introduced a tax reduction for highly capitalized businesses[2].

In particular, the favourable tax regime is based on the deduction of an amount corresponding to the notional return on its new capital from the total net income declared. Although this regime has resulted, and for the 2016 tax year will also result, in a significant tax saving for us, on the basis of a Decree of the Ministry of Economics and Finance, there has been a decrease in the percentage rate for the tax period starting from 1 January 2017 at 1.6% (and 1.5% from 1 January 2018 and for the following tax periods), which could increase our tax rate and therefore have an adverse effect on our business, results of operations and financial condition.

In addition, the Magellan Group experienced in the past certain interpretative issues in relation to the application of some provisions of tax laws in Poland, Czech Republic and Slovakia. In those circumstances the Magellan Group sought the prior opinion of the competent tax authorities and followed the interpretation suggested by them. However, we cannot exclude that the tax authorities might adopt a different interpretation in the future and this could have a material adverse effect on our business, results of operations and financial condition.

Furthermore, we conduct transactions between related parties residing in different countries in the ordinary course of business. These transactions (such as funding and the provision of services) are subject to transfer pricing rules established by the Organization for Economic Cooperation and Development ("**OECD**") and any applicable national laws. Given the complexity of such rules, there is a certain degree of uncertainty with regard to their interpretation and application.

In relation to transfer pricing (and concerning the tax years from 2008 to 2012), the Italian tax authority has contested the actions of FF Holding S.p.A., which had a controlling stake in the Issuer in such year and with which we subsequently merged by way of incorporation in 2013. FF Holding, although it did not agree with the tax authority's position, for the purpose of avoiding a lengthy and costly trial (as well as to eliminate the risks which the management of the relative disputes would entail and in the context of the aforementioned merger transaction envisaged at the time) decided to fully settle the issue. The settlement costs were registered in our 2013 profit and loss statement and in 2013 we proceeded to settle the remaining issues in accordance with the results of the settlement agreement reached between FF Holding S.p.A. and the tax authorities.

Although we believe that we are currently in compliance with the applicable transfer pricing rules, there is a risk that the methods we adopt may be contested by the relevant competent authorities, which could result in tax inquiries and investigations against us. Tax inquiries and investigations may result in fines or higher tax liabilities, which could have a material adverse effect on our business, results of operations and financial condition.

We are subject to regulations which require us to avoid significant debtor concentration.

Following the conclusion of the annual SREP process, on 10 March 2017, we received a Bank of Italy communication by which they highlighted certain areas of improvement concerning, *inter alia*, the concentration of our business in the Italian healthcare sector and the need to continue expansion into other markets to widen our strategic position, reducing the impact of large exposures. We have not requested further examinations of the Bank of Italy's decision, which therefore has become binding 90 days after the Bank of Italy's communication

Pursuant to the rules imposing limits on the assumption of risk by banks, which are set out in the "**Supervisory Provisions for Banks**" (*Disposizioni di Vigilanza per le Banche*) issued by the Bank of Italy

[2] For the implementing provisions, see Ministerial Decree 3 August 2017.

(Circular No. 285 of 17 December 2013, as subsequently amended), banks are required to limit their exposure, with respect to any individual debtor, to 25% of their eligible capital. The failure to comply with this requirement following the occurrence of events out of our control (for example, future mergers between our debtors) and any risk connected with the consolidation of local health authorities that has been taking place in certain regions of Italy in recent years and that will occur in other regions as well in the near future could have a material adverse effect on our business, results of operations and financial condition. Furthermore, compliance with the 25% exposure limits with respect to individual debtors described above could restrict our growth in terms of asset volumes and could cause a potential breakdown of our relationship with customers if, for example, in order to comply with such limits, we were forced to turn down business from one or more customers, which could have a material adverse effect on our business, results of operations and financial condition.

We may not be able to accurately predict future fluctuations in interest rates.

Interest from our non-recourse factoring business and in general from the Group's financing activity, depends on our ability to correctly identify and assess the fixed commission earned to customers for the purchase of receivables based on expected payment time, taking into account our expected funding cost over that period. A fluctuation in interest rates may cause our costs estimates (which are priced in a fixed commission at the time of purchase of the receivable) to no longer be sufficient to cover the funding costs of our non-recourse factoring business or reduce our expected margins. We have developed procedures to allow us to make assessments concerning the purchase of receivables. However, no assurance can be given that such assessments will accurately reflect the potential variation of interest rates. Default interest is limited to the ECB refinancing rate and an increase in the ECB rate will therefore increase the rate payable on late payment of interest.

In the course of our business, we used to enter into interest rate swap contracts with major financial institutions in order to prevent the risk of fluctuation in interest rates. For example, on 1 July 2016 we entered into a swap agreement connected to the loan agreement granted to the Issuer in order to finance the acquisition of Magellan.

In addition, as is the case in other countries, Polish statutory interest rates are set by applicable regulations and, therefore, a portion of Magellan's interest income depends on factors beyond its control. For instance, in December 2014, the statutory interest rate decreased from 13% to 8%, with an adverse impact on Magellan's income. The statutory interest rate (*odsetki ustawowe*) in Poland subsequently decreased in January 2016, and as of the date of this Prospectus, it is equal to 5.0%. As of the date of this Prospectus, the late payment interest rate is equal to 7.0% and the late payment interest rate in commercial transactions (*odsetki ustawowe za opóźnienie w transakcjach handlowych*) is equal to 9.5%, in accordance with the European directive on late payment interest. Since statutory and late payment interest rates in Poland frequently change, no assurance can be given that further adverse changes in the interest rates will not occur, which could have a material adverse effect on our business, results of operations and financial condition.

A significant portion of our funding is at fixed rate, notably term deposits and bonds issued by the Issuer, and in the course of the years 2015 and 2016 it has covered part of the interest rate risk, especially for periods of over six months.

From a macroeconomic point of view, in the last years, the interest rate levels have been particularly low due to the expansionary monetary policies of the ECB and the Federal Reserve in order to foster the economy. These circumstances together with the high liquidity of the market contributed to a strong reduction of the Euribor rates. The refinancing rate determined by the ECB has an impact on the Issuer's activity, in particular with regard to funding policies and the raising of financial resources on the interbank market, as well as the pricing of the purchased receivables. An overall increase of the interest rates would negatively affect the Group's activity with regards to the refinancing transactions and the profitability of the Group.

The capital absorption relating to interest rate risk as of 31 December 2016 and 2015, calculated on the basis of an estimate of the market shock, was equal to €9,258 thousand and €15,125 thousand, respectively. The capital absorption relating to market risk as of 31 December 2016 and 2015 was equal to €0 and €0 thousand.

The Group's policy aimed at controlling the fluctuation of interest rates, approved by the Board of Directors on December 2013, allowed the reduction of the abovementioned capital absorption to zero. In particular, in

order to check in advance that the new derivatives on rate do not expose the Issuer to interest rate risk, it was expected that, during the purchase of financial derivatives on rates, hedging purposes, as well as a management value, also allow to comply with the stricter accounting requirements for the hedge accounting implementation provided by the International Financial Reporting Standards, this is a necessary condition for the non-inclusion of the new derivatives in the trading book. Furthermore, given the absence of trading operations in relation to derivative instruments of our portfolio, no additional monitoring tools will be used other than those which are used for the ordinary management. Therefore, we have not considered convenient the development of internal models, such as the "Value at Risk" model, which is useful to perform an evaluation of market risks, not just from the capital requirements perspective, but also from a management perspective by measuring the different levels of sensitivity of the relevant parameters in relation to market factors.

The main funding sources of the Magellan Group consist in the bonds, bank loans and funding from the Issuer. The funding sources (excluding short-term discount bonds and medium-term euro-denominated bonds) are on floating rate with reference to the Polish market rate ("**WIBOR**"). The Magellan Group's assets pay interest based on fixed and floating rates. Therefore, there is a risk of a mismatch. As part of the policies of our Group, also the Magellan Group manages the risk through monitoring of the structure of the portfolio including financial assets and financial liabilities, as well as using interest rate swaps (IRS) instruments.

At the end of the reporting period, the instruments put into place by the Magellan Group are measured at the fair value which would have been in place had the transaction been settled as of that date. Gains or losses on the restatement of the fair value of a contract are recognized in the statement of comprehensive income as "Portfolio financing costs".

Fluctuations in interest rates outside of the parameters provided for in our hedging strategies could have a material adverse effect on our business, results of operations and financial condition.

We operate in a highly competitive market and may not be able to maintain or increase our current market share.

Our competitors may penetrate or consolidate their position in markets in which we operate, attracting our customers and depriving us of a significant market share by offering more innovative or more aggressively priced products and services.

In the banking sector, our competitors include, *inter alia*, banks and banking groups of various size ranges which operate in Italy and Spain and other financial institutions that offer term deposit account services. In this regard, the banking sector in Italy and Spain are characterized by a high level of competitiveness, due to, *inter alia*: (i) adoption of EU directives intended to liberalize the EU banking sector; (ii) modification of the rules on taxation and banking; and (iii) developments in services that have a strong technological innovation component, such as internet banking, phone banking and mobile banking.

In light of the current process of product and service diversification carried out by many Italian banks, we cannot exclude the certain banks may extend the services they offer to the specific market area in which we operate. This context, combined with the features of non-binding contracts on a long-term basis, may constitute a risk in relation to the maintenance of our market shares and the realizable profit margins, with a consequent negative impact on our expectations and on our financial, economic and capital situation, as well as on the Group's results.

Furthermore, this competitive pressure could increase as a result of regulatory intervention, the behavior of competitors, consumer demand, technological change, possible aggregation processes involving financial groups, the entry of new competitors and the contribution of other factors not necessarily under our control.

In the event that we are unable to respond to increasing competitive pressure by, *inter alia*, offering innovative products and services capable of satisfying the demands of customers, we could lose market share in several business sectors and, therefore, related masses and revenues. For example, in last three years, we have recorded a decrease in commission income from our Credit Collection Management services following the increased competition on the market. As of 31 December 2016, we recorded a decrease in commission income of 6.6% compared to 31 December 2015.

As a result of such competitive pressures, we may not be able to maintain or increase our level of activity and profitability in line with past results, which could have a material adverse effect on our business, results of operations and financial condition.

Risk relating to the Notes

Reform of LIBOR and EURIBOR and other interest rate index and equity, commodity and foreign exchange rate index "benchmarks"

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other indices which are deemed "benchmarks" are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such "benchmarks" to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the Notes, since they are linked to EURIBOR.

Key international reforms of "benchmarks" include the International Organization of Securities Commission ("**IOSCO"**)'s proposed Principles for Financial Market Benchmarks (July 2013) (the "**IOSCO Benchmark Principles"**) and the EU's Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the "**Benchmarks Regulation"**).

The IOSCO Benchmark Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering governance and accountability, as well as the quality and transparency of benchmark design and methodologies. A review published in February 2015 on the status of the voluntary market adoption of the IOSCO Benchmark Principles noted that, as the benchmarks industry is in a state of change, further steps may need to be taken by IOSCO in the future, but that it is too early to determine what those steps should be. The review noted that there has been a significant market reaction to the publication of the IOSCO Benchmark Principles, and widespread efforts being made to implement the IOSCO Benchmark Principles by the majority of administrators surveyed.

On 17 May 2016, the Council of the European Union adopted the Benchmarks Regulation. The Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016. Subject to various transitional provisions, the Benchmarks Regulation will apply from 1 January 2018, except that the regime for "critical" benchmarks has applied from 30 June 2016 and certain amendments to Regulation (EU) No 596/2014 (the Market Abuse Regulation) have applied from 3 July 2016. The Benchmarks Regulation would apply to "contributors", "administrators" and "users of benchmarks" in the EU, and would, among other things, (i) require benchmark administrators to be authorised (or, if non-EU-based, to be subject to an equivalent regulatory regime) and to comply with extensive requirements in relation to the administration of "benchmarks" and (ii) ban the use of "benchmarks" of unauthorised administrators. The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmark" indices such as EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in listed financial instruments (including the Notes), financial contracts and investment funds.

The Benchmarks Regulation could also have a material impact on the Notes, including in any of the following circumstances:

(i) an index which is a "benchmark" could not be used as such if its administrator does not obtain appropriate EU authorisations or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation. In such event, depending on the particular "benchmark" and the applicable terms of the Notes, the Notes could be delisted (if listed), adjusted, redeemed or otherwise impacted;

(ii) the methodology or other terms of the "benchmark" related to a series of Notes could be changed in order to comply with the terms of the Benchmarks Regulation, and such changes could have the effect of reducing or increasing the rate or level of the "benchmark" or of affecting the volatility of the

published rate or level, and could lead to adjustments to the terms of the Notes, including Calculation Agent determination of the rate or level in its discretion.

Any of the international, national or other reforms (or proposals for reform), the discontinuing of or the general increased regulatory scrutiny of "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks". The disappearance of a "benchmark" or changes in the manner of administration of a "benchmark" could result in adjustment to the terms and conditions, early redemption, discretionary valuation by the Fiscal Agent, delisting or other consequence in relation to the Notes. Any such consequence could have a material adverse effect on the value of and return on the Notes.

The Notes will bear interest at a floating rate that could rise significantly, increasing our interest cost and debt and reducing cash flow

The Notes will bear an interest rate at EURIBOR plus a margin. EURIBOR could rise significantly in the future. Although we may enter into and maintain certain hedging arrangements designed to fix a portion of these rates, there can be no assurances that hedging will continue to be available on commercially reasonable terms. Hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements. To the extent interest rates were to rise significantly, our interest expense associated with the Notes and the carrying cost of our debt load would correspondingly increase, thus reducing cash flow.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in the light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes may be redeemed for tax reasons

In the event that the Issuer would be obliged under the Terms and Conditions of the Notes to increase the amounts payable in respect of any Notes due to any change in or amendment to the laws or regulations of the Republic of Italy or any political subdivision thereof or any authority therein or thereof having power to tax or any change in the application or official interpretation of such laws or regulations, the Issuer may redeem all outstanding Notes in accordance with the Conditions. If the Issuer calls and redeems the Notes in the

circumstances mentioned above, the Noteholders may not be able to reinvest the redemption proceeds in comparable securities offering a yield as high as that of the Notes.

Investors must rely on the procedures of the clearing systems

The Notes will be deposited with a common safekeeper for Euroclear and Clearstream (the "**ICSDs**"). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive Definitive Notes. While the Notes are represented by one or more Global Notes, the ICSDs will maintain records of the beneficial interests in the Global Notes and investors will be able to trade their beneficial interests only through the ICSDs. Similarly, the Issuer will discharge its payment obligations under the Notes by making payments to the ICSDs for distribution to their accountholders and has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. A holder of a beneficial interest in a Global Note must therefore rely on the procedures of the ICSDs to receive payments under the relevant Notes.

In addition, holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the ICSDs to appoint appropriate proxies.

The Notes are unsecured

The Notes constitute unsecured obligations of the Issuer and, save as provided in Condition 4 (*Negative Pledge*), do not contain any restriction on the giving of security by the Issuer and its Subsidiaries over present and future indebtedness. All secured indebtedness of the Issuer, present or future, will be senior to the Notes to the extent of the value of the assets that secure such indebtedness. Accordingly, in the event of any insolvency or winding-up of the Issuer, the proceeds from the sale of the assets securing the Issuer's secured indebtedness will be available to pay obligations on the Notes only after all secured indebtedness has been paid in full.

The Bank Recovery and Resolution Directive may affect Notes

As described in "*-Factors that may affect the Issuer's ability to fulfil its obligations under the Notes – Extensive regulation in the banking sector may adversely affect our business*" above, the BRRD gives wide powers to governmental authorities aimed at addressing banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. These include the so-called "bail-in tool", by which resolution authorities would have the power to write down the claims of senior unsecured creditors of a failing institution (which would be likely to include holders of the Notes) and to convert unsecured debt claims into equity (subject to certain parameters as to which liabilities would be eligible for the bail-in tool).

The BRRD has required Member States to modify their national insolvency regimes so that deposits of natural persons and micro, small and medium-sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to Directive 2014/49/EU have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors, such as holders of the Notes. Furthermore, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, such as holders of corporate deposits or other operating liabilities of the Issuer with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors.

As a result, significant amounts of liabilities are ranked higher than the Notes in normal insolvency proceedings and, on application of the general bail-in tool, such creditors will be written-down or converted into equity after the Notes, meaning that holders of the Notes will therefore be subject to greater losses than the claims of such other creditors. Furthermore, the right of holders of the Notes have only very limited rights to challenge and/or seek a suspension of any decision by resolution authorities or to have it reviewed by a judicial or administrative process or otherwise.

The measures set out in the BRRD, including the bail-in tool, have already been implemented in Italy, taking effect from 1 January 2016. The powers set out in the BRRD will have a significant impact on how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. As a result, holders of the Notes may be subject to write-down or conversion into equity on any application of the general bail-in tool, which may result in their losing some or all of their investment. The exercise of any

power under the BRRD or any suggestion of such exercise could, therefore, have a material adverse effect on the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes.

Minimum denomination of the Notes

The Notes will be issued in denominations of €100,000 or higher integral multiples of €1,000, up to and including a maximum denomination of €199,000. Although Notes cannot be traded in amounts of less than their minimum denomination of €100,000, they may nonetheless be traded in amounts that will result in a Noteholder holding a principal amount of less than €100,000. Any such principal amount would not be tradeable while the Notes are in the form of a Global Note and, if definitive Notes were issued, such Noteholder would not receive a definitive Note in respect of its holding and, consequently, would need to purchase a principal amount of Notes so as to increase such holding to at least €100,000. If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade.

Payments under the Notes may be made subject to withholding or deduction of tax

All payments in respect of Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required. The Issuer's obligation to gross up is, however, subject to a number of exceptions, including in particular withholding or deduction of Italian substitute tax (*imposta sostitutiva*), pursuant to Italian Legislative Decree No. 239 of 1 April 1996.

Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws of any country or territory. See also the section of this Prospectus entitled "*Taxation*".

FATCA may affect payments made in respect of the Notes

With respect to Notes issued after the date that is six months after the date on which final U.S. Treasury regulations defining the term "foreign passthru payment" are filed with the U.S. Federal Register (such applicable date the "**Grandfathering Date**") (and any Notes which are treated as equity for U.S. federal tax purposes, whenever issued), the Issuer may, under certain circumstances, be required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("**FATCA**") to withhold U.S. tax at a rate of 30% on all or a portion of payments of principal and interest which are treated as "foreign passthru payments" made on or after 1 January 2019 to an investor or any other non-U.S. financial institution through which payment on the Notes is made that is not in compliance with FATCA. As of the date of this Prospectus, final U.S. Treasury regulations defining the term "foreign passthru payments" have not been filed with the U.S. Federal Register. If the Issuer issues further Notes after the Grandfathering Date that were originally issued on or before the Grandfathering Date, payments on such further Notes may be subject to withholding under FATCA and, should the originally issued Notes of that series and the further Notes be indistinguishable (as would likely be the case in such a "tap" issue), such payments on the originally issued Notes may also become subject to withholding under FATCA, unless such further Notes are issued pursuant to a "qualified reopening" for U.S. federal income tax purposes.

The United States and Italy have entered into a Model 1 intergovernmental agreement to implement FATCA (the "**Italian IGA**"). Under the Italian IGA, an entity classified as a non-U.S. financial institution (an "**FFI**") that is treated as resident in Italy is expected to provide the Italian tax authorities with certain information on certain U.S. holders of its securities. Information on U.S. holders will be automatically exchanged with the U.S. taxing authorities. The Issuer is classified as an FFI and provided it complies with the requirements of the Italian IGA and the Italian legislation implementing the Italian IGA, it should not be subject to FATCA withholding on any payments it receives and it is not currently required to withhold tax on any "foreign passthru payments" that it makes. Although the Issuer may not be required to withhold FATCA taxes in respect of any foreign passthru payments it makes under the Italian IGA, FATCA withholding may apply in respect of any payments made on the Notes by any paying agent.

The application of FATCA to interest, principal or other amounts paid on or with respect to the Notes is not currently clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of a holder's failure to comply with FATCA, none of the Issuer, any paying agent or any other person would pursuant to the Terms and Conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding of such tax.

Change of law or administrative practice

The conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

Decisions at Noteholders' meetings bind all Noteholders

Provisions for calling meetings of Noteholders are contained in the Agency Agreement and summarised in Condition 13(a) (*Meetings of Noteholders*). Noteholders' meetings may be called to consider matters affecting Noteholders' interests generally, including modifications to the terms and conditions relating to the Notes. These provisions permit defined majorities to bind all Noteholders, including those who did not attend and vote at the relevant meeting or who voted against the majority. Possible modifications to the Notes include, without limitation, lowering the ranking of the Notes, reducing the amount of principal and interest payable on the Notes, changing the time and manner of payment, changing provisions relating to redemption, limiting remedies on the Notes and changing the amendment provisions. Any such modification may have an adverse impact on Noteholders' rights and on the market value of the Notes.

Risks related to the market generally

Set out below is a brief description of the principal market risks.

There is no active trading market for the Notes and one cannot be assured

Application has been made for the Notes to be admitted to listing on the official list of the Irish Stock Exchange and trading on its regulated market. The Notes are new securities for which there is currently no market. There can be no assurance as to the liquidity of any market that may develop for the Notes, the ability of Noteholders to sell such Notes or the price at which the Notes may be sold. The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and a number of other factors. In an illiquid market, the Noteholders might not be able to sell their Notes at any time at fair market prices. There can be no assurance that an active trading market for the Notes will develop or, if one does develop, that it will be maintained. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and trading prices for the Notes.

The liquidity and market value of the Notes may also be significantly affected by factors such as variations in the Group's financial condition and results of operations, news announcements or changes in general market conditions. In addition, broad market fluctuations and general economic and political conditions may adversely affect the market value of the Notes, regardless of the actual performance of the Group.

Delisting of the Notes

Application has been made for the Notes to be listed on the Official List and admitted to trading on the regulated market of the Irish Stock Exchange. The Notes may subsequently be delisted despite the best efforts of the Issuer to maintain such listing and, although no assurance is made as to the liquidity of the Notes as a result of listing, any delisting of the Notes may have a material effect on a Noteholder's ability to resell the Notes on the secondary market.

Transfers of the Notes may be restricted, which may adversely affect the secondary market liquidity and/or trading prices of the Notes

The ability to transfer the Notes may also be restricted by securities laws or regulations of certain countries or regulatory bodies. The Notes have not been, and will not be, registered under the Securities Act or any state securities laws in the U.S. or the securities laws of any other jurisdiction. Noteholders may not offer the Notes in the United States to or for the account or benefit of a U.S. person except pursuant to an exemption from, or

in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. It is the obligation of each Noteholder to ensure that offers and sales of Notes comply with all applicable securities laws. In addition, transfers to certain persons in certain other jurisdictions may be limited by law, or may result in the imposition of penalties or liability. For a description of restrictions which may be applicable to transfers of the Notes, see "*Subscription and Sale*".

The Notes are not rated and credit ratings may not reflect all risks

Neither the Notes nor the long-term debt of the Issuer are rated. To the extent that any credit rating agencies assign credit ratings to the Notes or any other senior unsecured indebtedness of the Issuer, such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating or the absence of a rating is not a recommendation to buy, sell or hold Notes and may be revised, withdrawn or suspended by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing, and (iii) other restrictions apply to the purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Euro. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes, which (subject to completion and amendment) will be endorsed on each Note in definitive form. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to Notes in definitive form to the extent described in the next section of this Prospectus entitled "Summary of Provisions relating to the Notes in Global Form".

The €200,000,000 Floating Rate Notes due 2020 (the "**Notes**") of Banca Farmafactoring S.p.A. (the "**Issuer**") are the subject of a fiscal agency agreement dated 5 December 2017 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer and Citibank, N.A., London Branch as fiscal agent (in such capacity, the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), as paying agent (in such capacity, the "**Paying Agent**" and, together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and as calculation agent (in such capacity, the "**Calculation Agent**", which expression includes any successor calculation agent appointed from time to time in connection with the Notes). Certain provisions of these Conditions are summaries of the Agency Agreement and subject to its detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. Definitions and Interpretation

(a) *Definitions*

In these Conditions:

"**Business Day**" means:

(i) in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place; or

(ii) in the case of payment by credit or transfer to a Euro account, a TARGET Settlement Day;

"**Consolidated Operating Income**" means, in respect of any Relevant Period, the consolidated operating income of the Group for that Relevant Period;

"**Consolidated Profit Before Tax**" means, in respect of any Relevant Period, the consolidated profit before tax from continuing operations of the Group for that Relevant Period;

"**Consolidated Total Assets**" means, in respect of any Relevant Period, the consolidated total assets of the Group as at the end date of that Relevant Period;

"**Day Count Fraction**" means (i) the actual number of days in the period from and including the date from which interest begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due divided by (ii) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date;

"**Deed of Substitution**" means a deed poll substantially in the form annexed to the Agency Agreement;

"**EURIBOR**" means the Euro Inter Bank Offered Rate;

"**Euro-zone**" means the region comprised of member states of the European Union which adopt the

Euro in accordance with the Treaty establishing the European Community, as amended;

"**Extraordinary Resolution**" has the meaning given to it in the Agency Agreement;

"**FATCA**" has the meaning given to it in Condition 7(c) (*Payments subject to fiscal laws*);

"**Group**" means the Issuer and its Subsidiaries from time to time, taken as a whole;

"**Indebtedness**" means any indebtedness (whether being principal, premium or interest) of the Issuer or any Subsidiary for or in respect of money borrowed or raised, including (without limitation) any indebtedness for or in respect of:

(i) amounts raised by acceptance under any acceptance credit facility;

(ii) amounts raised under any note purchase facility;

(iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases; and

(iv) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having substantially the same commercial effect as borrowing;

"**Interest Determination Date**" means the second TARGET Settlement Day before the first day of the relevant Interest Period;

"**Interest Payment Date**" means 5 March, 5 June, 5 September and 5 December in each year;

"**Intermediate Holding Company**" means a Subsidiary of the Issuer which itself has Subsidiaries;

"**Issue Date**" means 5 December 2017;

"**Margin**" means 1.45 per cent. per annum;

"**Material Subsidiary**" means, at any time, any Subsidiary of the Issuer which (consolidated with its own Subsidiaries, if any) accounts for at least 10 per cent. of the Consolidated Profit Before Tax or Consolidated Total Assets and, for these purposes:

(i) the Consolidated Profit Before Tax and Consolidated Total Assets will be determined by reference to the then latest audited consolidated annual financial statements of the Group (the "**Relevant Consolidated Financial Statements**");

(ii) the profit from continuing operations before tax and total assets of each Subsidiary of the Issuer (the "**Relevant Line Items**") will be determined by reference to the annual financial statements (whether or not audited) of such Subsidiary and those of its own Subsidiaries (if any), in each case upon which the Relevant Consolidated Financial Statements have been based;

provided that: (A) if a Person has become a Subsidiary of the Issuer after the date on which the Relevant Consolidated Financial Statements have been prepared, the Relevant Line Items of that Subsidiary will be determined by reference to its latest annual financial statements (whether or not audited), consolidated if that Subsidiary itself has Subsidiaries; (B) where an Intermediate Holding Company has one or more Subsidiaries at least one of which, under this definition, is a Material Subsidiary, then such Intermediate Holding Company will be deemed to be a Material Subsidiary; and (C) the Relevant Consolidated Financial Statements and the corresponding financial statements of each relevant Subsidiary will be adjusted (where appropriate) to reflect fairly the Relevant Line Items of, or represented by, any Person, business or assets subsequently acquired or disposed of;

"**Maturity Date**" means 5 June 2020;

"**Permitted Reorganisation**" means any reorganisation, amalgamation, merger, demerger, consolidation, contribution in kind or restructuring or other similar transaction, in each case whilst solvent:

(i) on terms previously approved by an Extraordinary Resolution of Noteholders;

(ii) in the case of a Material Subsidiary, whereby the assets and undertaking of such Material Subsidiary are transferred, sold, contributed, assigned or otherwise vested in the Issuer and/or another Material Subsidiary;

(iii) with respect to Condition 9(g) (*Cessation of business*) only, whereby the Issuer or a Material Subsidiary sells, transfers, leases, exchanges or otherwise disposes of its business (or a Substantial Part thereof) (whether in the form of property or assets, including any receivables, shares, interest or other equivalents or corporate stock or other indicia of ownership) that is made on arm's length terms for a consideration that represents or is equivalent to the fair market value of the relevant business (or part thereof), as confirmed by the Issuer's Board of Directors; or

(iv) in the case of the Issuer, whereby the assets and undertaking of the Issuer, including equity interests in Subsidiaries, or (in the case of a demerger) all or substantially all of such assets and undertaking, are vested in a body corporate in good standing (the "**Substitute**") and:

(A) the Substitute is a bank duly incorporated and licensed to operate in Italy or in another Member State of the European Union;

(B) the Substitute assumes the obligations of principal debtor under the Notes by operation of Italian law under the doctrine of universal succession, failing which on or prior to completion of the transaction it executes and delivers a Deed of Substitution, a supplemental agency agreement and such other documents (if any), together with (where applicable) the other parties to the Agency Agreement, as may be necessary to give full effect to the substitution of such body corporate for the Issuer (such documents, including any supplemental agency agreement, the "**Additional Documents**");

(C) a certificate of the Substitute, signed by two directors or by a director and the Chief Financial Officer of the Substitute and addressed to the Fiscal Agent has been made available to the Noteholders at the Specified Offices of the Fiscal Agent, confirming the Substitute's belief that neither (1) the ability to perform the payment obligations of the principal debtor under the Notes nor (2) the rights and interests of Noteholders will be impaired as a result of the transaction;

(D) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Notes, the Deed of Substitution and/or the Additional Documents (as applicable) represent valid, legally binding and enforceable obligations of the Substitute have been taken, fulfilled and done and are in full force and effect;

(E) the Substitute has obtained opinions from lawyers of recognised standing as to matters of Italian law and (if different) of the jurisdiction of the place of incorporation of the Substitute, confirming as follows:

(1) fulfilment of the condition in paragraph (D) above (subject to all applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and general equitable principles);

(2) that the Substitute is validly incorporated under the laws of its jurisdiction with power and capacity to assume and perform the obligations under the Notes, the Deed of Substitution and/or the Additional Documents (as applicable); and

(3) that the Substitute has obtained all necessary approvals and consents (including governmental and regulatory consents) for the assumption and performance of its obligations,

and from lawyers of recognised standing as to matters of English law confirming the matters set out in (1) above, all such opinions to be made available to Noteholders at

the Specified Offices of the Fiscal Agent, together with the Deed of Substitution and the Additional Documents (if any); and

(F) not later than 15 days after the execution of any Deed of Substitution and any Additional Documents, the Substitute shall give notice thereof to the Noteholders in accordance with Condition 15 (*Notices*),

and, following any such transaction, any reference in these Conditions to the "**Issuer**" shall be a reference to the Substitute and references to obligations under the Notes in Conditions 9(b) (*Breach of other obligations*), (j) (*Failure to take action, etc*) and (k) (*Unlawfulness*) shall be deemed to include obligations under the Deed of Substitution and the Additional Documents (if any);

"**Permitted Security Interest**" means:

(i) any Security Interest arising by operation of law and in the ordinary course of business of the Issuer or a Material Subsidiary which does not (either alone or together with any one or more other such Security Interests) materially impair the operations of such business and which has not been enforced against the assets to which it attaches;

(ii) any Security Interest existing over the assets of a company which becomes a Material Subsidiary after the Issue Date where such Security Interest already exists at the time that such company becomes a Material Subsidiary *provided that* (A) such Security Interest was not created in contemplation of or in connection with that company becoming a Material Subsidiary, (B) the amounts secured by such Security Interest are not increased in contemplation of or in connection with that company becoming a Material Subsidiary of the Issuer or at any time thereafter;

(iii) any Security Interest created in connection with, or pursuant to, a securitisation, asset-backed financing or like arrangement where the payment obligations in respect of the Indebtedness secured by the relevant Security Interest are to be discharged solely from the revenues generated by the present or future assets (including receivables) over which such Security Interest is created; and

(iv) any Security Interest created by the Issuer or a Material Subsidiary for the purposes of an issue by the Issuer of covered bonds (*obbligazioni bancarie garantite*) in accordance with Italian Law No. 130 of 30 April 1999, as amended and implemented from time to time;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having a separate legal personality;

"**Reference Banks**" means the principal Euro-zone office of four major banks in the Euro-zone inter-bank market selected by the Issuer;

"**Reference Rate**" means the 3 month EURIBOR;

"**Relevant Date**" means, in relation to any Note or Coupon, the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the holders of Notes in accordance with Condition 15 (*Notices*) that, upon further presentation of the Note or Coupon being made in accordance with the Conditions, such payment will be made, *provided that* payment is in fact made upon such presentation;

"**Relevant Indebtedness**" means any present or future Indebtedness (whether being principal, premium, interest or other amounts) which is in the form of or represented by any note, bond, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, traded, quoted, listed or dealt in on any stock exchange, over-the-counter or other securities market;

"**Relevant Period**" means a twelve-month period ending on 31 December in each year;

"**Relevant Screen Page**" means the Reuters Screen EURIBOR01 page;

"**Reserved Matter**" has the meaning given to it in the Agency Agreement and includes any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Security Interest**" means any mortgage, charge, pledge, lien or other form of security interest including, without limitation, anything substantially analogous to any of the foregoing under the laws of any applicable jurisdiction;

"**Specified Time**" means 11.00 a.m. Brussels time;

"**Subsidiary**" means, in respect of the Issuer at any particular time, any *società controllata*, as defined in Article 2359 of the Italian Civil Code;

"**Substantial Part**" means, at any particular time, 30 per cent. or more of the Consolidated Total Assets or the Consolidated Operating Income, as calculated by reference to the then latest audited annual consolidated financial statements of the Issuer;

"**TARGET Settlement Day**" means any day on which the TARGET System is open for the settlement of payments in euro; and

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system (TARGET2).

(b) ***Interpretation***

In these Conditions:

(i) "**outstanding**" has the meaning given to it in the Agency Agreement;

(ii) any reference to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under Condition 8 (*Taxation*); and

(iii) any reference to the Notes includes (unless the context requires otherwise) any other securities issued pursuant to Condition 14 (*Further Issues*) and forming a single series with the Notes.

2. Form, Denomination and Title

The Notes are in bearer form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 with Coupons attached at the time of issue. Notes of one denomination will not be exchangeable for Notes of another denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

3. Status

The Notes constitute direct, general, unconditional and, subject to the provisions of Condition 4 (*Negative pledge*), unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, present and future, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

4. Negative Pledge

So long as any Note remains outstanding, the Issuer shall not, and the Issuer shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure (i) any Relevant Indebtedness or (ii) any guarantee and/or indemnity in relation to any Relevant Indebtedness, without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

5. Interest

(a) *Accrual of interest*

The Notes bear interest from the Issue Date, payable quarterly in arrear on each Interest Payment Date, subject as provided in Condition 7 (*Payments*); *provided, however, that* if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day. Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**".

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(b) *Rate of Interest*

The rate of interest applicable to the Notes (the "**Rate of Interest**") for each Interest Period will be either: (i) the offered quotation; or (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations (expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Specified Time on the Interest Determination Date plus the Margin, all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (i) above, no offered quotation appears or, in the case of (ii) above, fewer than three offered quotations appear as at the Specified Time, the Issuer shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus the Margin, all as determined by the Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with

0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Fiscal Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in Euro for a period equal to that which would have been used for the Reference Rate by leading banks in the Euro-zone inter-bank market or, if fewer than two of the Reference Banks provide the Calculation Agent with offered rates, the offered rate for deposits in Euro for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in Euro for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Calculation Agent it is quoting to leading banks in the Euro-zone inter-bank market, *provided that*, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date.

(c) ***Calculation of Interest Amount***

The Calculation Agent will, as soon as practicable after the Interest Determination Date in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount outstanding, multiplying the product by the actual number of days in such Interest Period divided by 360, and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

(d) ***Notification of Rate of Interest and Interest Amount***

The Fiscal Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the other Paying Agents and the Irish Stock Exchange (or any stock exchange on which the Notes are for the time being listed) (by no later than the first day of each Interest Period) and notice thereof to the Noteholders to be published in accordance with Condition 15 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to the Irish Stock Exchange (or any stock exchange on which the Notes are for the time being listed), to the other Paying Agents and to the Noteholders in accordance with Condition 15 (*Notices*). For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(e) ***Certificates to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5 (*Interest*) by the Calculation Agent or the Fiscal Agent (as applicable) shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Fiscal Agent, the Calculation Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Fiscal Agent or, if applicable, the Calculation Agent, in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6. Redemption and Repurchase

(a) ***Scheduled Redemption***

Unless previously redeemed, or repurchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date, in the manner provided for in Condition 7 (*Payments*).

(b) ***Redemption for tax reasons***

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if:

(i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, *however*, *that* no such notice of redemption shall be given (i) earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due and (ii) unless, at the time such notice is given, such change or amendment remains in effect (or due to take effect).

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent:

(A) a certificate signed by two duly authorised officers of the Issuer stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 6(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(b).

(c) ***Clean-Up Call Option***

In the event that at least 85 per cent. of the aggregate principal amount of the Notes has been purchased and cancelled by the Issuer, the Issuer may, at its option (the "**Clean-Up Call Option**") but subject to having given not less than 30 nor more than 60 days' notice to the Noteholders, redeem all, but not some only, of the outstanding Notes. Any such redemption of Notes shall be at 100 per cent. of their principal amount, together with interest accrued to the date fixed for redemption.

(d) ***No other redemption***

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 6(a) (*Scheduled redemption*), 6(b) (*Redemption for tax reasons*) and 6(c) (*Clean-Up Call Option*) above.

(e) ***Repurchase***

The Issuer or any of its Subsidiaries may at any time repurchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith.

(f) ***Cancellation***

All Notes so redeemed or repurchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

7. Payments

(a) *Principal*

Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by Euro cheque drawn on, or by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System.

(b) *Interest*

Payments of interest shall, subject to Condition 7(f) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 7(a) (*Principal*) above.

(c) *Payments subject to fiscal laws*

All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 to 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof or any law implementing an intergovernmental approach thereto ("**FATCA**"). No commissions or expenses shall be charged by or on behalf of the Issuer or any of its agents to the Noteholders or Couponholders in respect of such payments.

(d) *Deduction for unmatured Coupons*

If a Note is presented without all unmatured Coupons relating thereto, then:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment, *provided*, *however*, *that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment; or

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment, *provided*, *however*, *that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment, *provided*, *however*, *that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 7(a) (*Principal*) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void coupons.

(e) ***Payments on business days***

If the due date for payment of any amount in respect of any Note or Coupon is not a Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(f) ***Payments other than in respect of matured Coupons***

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.

(g) ***Partial payments***

If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

8. Taxation

(a) ***Gross-up***

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

(i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Republic of Italy other than the mere holding of the Note or Coupon; or

(ii) in relation to any payment or deduction of any interest, principal or other proceeds of any Note or Coupon on account of *imposta sostitutiva*, pursuant to Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree No. 239**") and related implementing regulations, as amended, supplemented or re-enacted from time to time; or

(iii) by or on behalf of a holder who would have been able to avoid such withholding or deduction by (A) presenting the relevant Note or Coupon to another available Paying Agent in a Member State of the European Union or (B) making a declaration of non-residence or other similar claim for an exemption; or

(v) in each case, in which the formalities to obtain an exemption from *imposta sostitutiva* under Decree No. 239 have not been complied with, except where such formalities have not been complied with due to the actions or omissions of the Issuer or its agents; or

(vi) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

(b) ***Taxing jurisdiction***

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction.

(c) ***FATCA***

For the avoidance of doubt, the Issuer will have no obligation to pay additional amounts in respect of the Notes for any amounts required to be withheld or deducted pursuant to FATCA if withholding is imposed under those rules as a result of the failure by any person other than the Issuer or any of its agents to establish that they are able to receive payments free of such withholding.

9. Events of Default

If any of the following events occurs:

(a) ***Non-payment***: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within five days of the due date for payment thereof; or

(b) ***Breach of other obligations***: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes under these Conditions and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer, has been delivered by or on behalf of any Noteholder to the Issuer or to the Specified Office of the Fiscal Agent; or

(c) ***Cross-default of Issuer or Material Subsidiary***:

(i) any Indebtedness of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of default (however described);

(iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any guarantee and/or indemnity given by it in relation to any Indebtedness,

provided that the amount of Indebtedness referred to in sub-paragraphs (i) and/or (ii) above and/or the amount payable under any guarantee and/or indemnity referred to in sub-paragraph (iii) above individually or in the aggregate exceeds €20,000,000 (or its equivalent in any other currency or currencies); or

(d) ***Unsatisfied judgment***: one or more judgment(s) or order(s) for the payment of any amount in excess of €20,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Subsidiaries and continue(s) unsatisfied and unstayed for a period of 45 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) ***Enforcement***: a secured party takes possession of, or a receiver, manager or other similar officer is appointed (or application for any such appointment is made) in respect of, all or a Substantial Part of the undertaking, assets and revenues of the Group, or a distress, execution, attachment, sequestration or other process is levied, enforced upon or put in force against all or a Substantial Part of the undertaking, assets and revenues of the Group and such secured party, receiver, manager or other similar officer is not discharged within 45 days; or

(f) ***Insolvency, etc***: (i) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator, liquidator or other similar officer is appointed in respect of the Issuer or any of its Subsidiaries or the whole or any Substantial Part of the undertaking, assets and revenues of the Group (or application for any such appointment is made), (iii) the Issuer or any of its Material Subsidiaries takes any action for a general readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or any class of its creditors, or (iv) the Issuer or any of its Material Subsidiaries declares or proposes a moratorium in respect of any of its Indebtedness or any guarantee and/or indemnity given by it in relation to any Indebtedness;

(g) ***Cessation of business***: the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or a Substantial Part of the business of the Group (otherwise than for the purposes of, or pursuant to, a Permitted Reorganisation and, for the avoidance of doubt, the transfer of receivables and securities by the Issuer or any of its Subsidiaries in the ordinary course of business will not constitute a cessation of business);

(h) ***Winding up, etc***: an order is made by any competent court or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries (otherwise than for the purposes of, or pursuant to, a Permitted Reorganisation);

(i) ***Analogous event***: any event occurs which under the laws of any applicable jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) (Unsatisfied judgment) to (h) (Winding up, etc.) above; or

(j) ***Unlawfulness***: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Agency Agreement, unless the matter giving rise to such unlawfulness is promptly remedied by the Issuer,

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.

10. Prescription

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

11. Replacement of Notes and Coupons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Paying Agent may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

12. Paying Agents

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent and additional or successor paying agents; *provided*, *however*, *that* the Issuer shall at all times maintain (a) a fiscal agent and (b) a paying agent in a jurisdiction within the European Union, other than the Republic of Italy or (if different) the jurisdiction to which the Issuer is subject for the purpose of Condition 8(b) (*Taxing jurisdiction*).

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

13. Meetings of Noteholders; Noteholders' Representative; Modification

(a) *Meetings of Noteholders*

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be

convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-twentieth of the aggregate principal amount of the outstanding Notes.

A meeting of Noteholders will be validly held if (A) in the case of a single call meeting, there are one or more persons being or representing Noteholders holding at least one fifth of the aggregate principal amount of the outstanding Notes; or (B) in the case of a multiple call meeting, (a) in the case of a first meeting, there are one or more persons present being or representing Noteholders holding at least half of the aggregate principal amount of the outstanding Notes, or (b) in the case of a second meeting following adjournment of the first meeting for want of quorum , there are one or more persons present being or representing Noteholders holding more than one third of the aggregate principal amount of the outstanding Notes, or (c) in the case of any further meeting, there are one or more persons being or representing Noteholders holding at least one fifth of the aggregate principal amount of the outstanding Notes, provided, however, that in each case (i) the quorum shall always be one or more persons being or representing Noteholders holding half of the aggregate principal amount of the outstanding Notes for the purpose of considering a Reserved Matter and (ii) the Issuer's by laws may (to the extent permitted under applicable Italian law) provide for a higher quorum; and

The majority required to pass an Extraordinary Resolution at any meeting (including any meeting convened following adjournment of the previous meeting for want of quorum) will be (A) for voting on any matter other than a Reserved Matter, at least two thirds of the aggregate principal amount of the Notes represented at the Meeting; (B) for voting on a Reserved Matter, the higher of (a) one half of the aggregate principal amount of the outstanding Notes and (b) at least two thirds of the aggregate principal amount of the Notes represented at the Meeting, unless a different majority is required pursuant to Article 2369, paragraphs 3 and 6 of the Italian Civil Code and provided, however, that the by-laws of the Issuer may from time to time (to the extent permitted under applicable Italian law) require a larger majority.

Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) ***Modification***

The Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is not materially prejudicial to the interests of the Noteholders. In addition, the parties to the Agency Agreement may agree, without the consent of the Noteholders, to modify any provision thereof in order to comply with mandatory laws, legislation, rules and regulations of the Republic of Italy applicable to the convening of meetings, quorums and the majorities required to pass an Extraordinary Resolution.

14. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

15. Notices

Notices to the Noteholders shall be valid if published in a reputable leading English language daily newspaper published in London with an international circulation and, for so long as the Notes are admitted to trading on the regulated market of the Irish Stock Exchange and it is a requirement of applicable laws and regulations, on the website of the Irish Stock Exchange (*www.ise.ie*) or, if such publication is not practicable, in a leading English language daily newspaper having general

circulation in Europe (which is expected to be the *Financial Times*). Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

16. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

17. Governing Law and Jurisdiction

(a) ***Governing law***

The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.

(b) ***Jurisdiction***

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes). The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(c) ***Proceedings outside England***

Condition 17(b) (*Jurisdiction*) is for the benefit of Noteholders only. To the extent allowed by law, any Noteholder may take (i) proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction and (ii) concurrent Proceedings in any number of jurisdictions.

(d) ***Process agent***

The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX or, if different, at its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with the Companies Act 2006. If such Person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer or it ceases to be registered in England or, for any other reason, is unable or unwilling to act in such capacity, the Issuer shall immediately appoint a further Person in England to accept service of process on its behalf. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

There will appear at the foot of the Conditions endorsed on each Note in definitive form the names and Specified Offices of the Paying Agents as set out at the end of this Prospectus.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

*The following is a summary of the provisions to be contained in the Temporary Global Note and the Permanent Global Note (together, the "**Global Notes**") which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.*

Initial form of Notes

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

Eligibility of the Notes for Eurosystem monetary policy

The Notes will be issued in new global note form and, as such, are intended to be held in a manner which will allow for them to be eligible as collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem. This means that the Notes are upon issue deposited with one of the international central securities depositories (ICSDs) as common safekeeper, but does not necessarily mean that the Notes will actually be recognised as eligible, either upon issue or at any time during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria and other obligations, as specified by the European Central Bank from time to time. As at the date of this Prospectus, one of the Eurosystem eligibility criteria for debt securities is an investment grade rating and, accordingly, as the Notes are unrated, they are not currently expected to satisfy the requirements for Eurosystem eligibility.

Exchange for Permanent Global Notes

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date, upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Tradeable amounts

So long as the Notes are represented by a Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in (i) the minimum authorised denomination of €100,000, and (ii) higher denominations which are integral multiples of €1,000, up to and including €199,000.

Exchange for Definitive Notes

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in denominations of €100,000 and higher integral multiples of €1,000, up to and including €199,000, at the request of the bearer of the Permanent Global Note if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business, or (b) any of the circumstances described in Condition 9 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached (in respect of interest which has not already been paid in full on the Permanent Global Note), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(i) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Note for Definitive Notes; or

(ii) the Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in

full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (i) above) or at 5.00 p.m. (London time) on such due date (in the case of (ii) above) and the bearer of the Permanent Global Note will have no further rights thereunder, but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under a deed of covenant executed by the Issuer dated 5 December 2017 (the "**Deed of Covenant**"). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes that they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

Modifications to Terms and Conditions of the Notes

In addition, the Global Notes will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Notes. The following is a summary of certain of those provisions:

Payments

All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Payments on business days

In the case of all payments made in respect of the Temporary Global Note and the Permanent Global Note, "**Business Day**" means any day which is a TARGET Settlement Day.

Notices

Notwithstanding Condition 15 (*Notices*), while all the Notes are represented by the Permanent Global Note and/or the Temporary Global Note, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 15 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg, except that, for so long as such Notes are admitted to trading on the Irish Stock Exchange and it is a requirement of applicable law or regulations, such notices shall be published in a leading newspaper having general circulation in the Republic of Ireland or published on the website of the Irish Stock Exchange (*www.ise.ie*).

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used for general corporate purposes of the Group.

SELECTED FINANCIAL INFORMATION OF THE ISSUER

The following tables contain consolidated balance sheet and income statement information of the Group as at and for the years ended 31 December 2016 and 2015, derived from the Issuer's Consolidated Financial Statements.

This information should be read in conjunction with, and is qualified in its entirety by reference to the Issuer's consolidated annual financial statements as at and for the years ended 31 December 2016 and 2015, together with the accompanying notes and auditors' reports, all of which are incorporated by reference in this Prospectus. See "*Documents Incorporated by Reference*".

All of the above financial statements are prepared in accordance with IFRS and have been audited by the Issuer's independent auditors, PricewaterhouseCoopers S.p.A. The tables below are translated into English from the original Italian.

	As of 31 December	
Consolidated income statement	**2016[(1)]**	**2015**
Interest income and similar revenues	190,225	161,946
Interest and similar expenses	(31,020)	(28,898)
Net interest margin	159,205	**133,048**
Fee and commission income	7,833	8,389
Fee and commission expenses	(4,478)	(446)
Net Fees and Commissions	3,355	**7,943**
Dividends and similar income	60	-
Gains/losses on trading	682	46
Fair value adjustments in hedge accounting	(1)	(23)
Gains /(losses) on disposals/repurchases	706	872
Operating income	**164,007**	**141,886**
Impairment losses/reversals	(2,244)	(1,126)
Net profit from financial activities	**161,763**	**140,760**
Net profit from financial and insurance activities	**161,763**	**140,760**
Administrative Expenses		
of which personnel costs	(24,924)	(18,476)
of which other administrative expenses	(38,718)	(27,091)
Net provisions for risks and charges	(2,075)	(879)
Net adjustments to/writebacks on property, plant and equipment	(1,282)	(1,115)
Net adjustments to/writebacks on intangible assets	(1,334)	(1,023)
Other operating income/expenses	5,704	4,144
Operating costs	**(62,629)**	**(44,440)**
Profit before tax from continuing operations	**99,134**	**96,320**
Income taxes on profit from continuing operations	(26,997)	(27,529)
Profit after tax from continuing operations	**72,137**	**68,791**
Profit for the year	**72,137**	**68,791**
Profit for the year attributable to owners of the parent	**72,137**	**68,791**
Profit for the year a*djusted*[(2)]	**83,620**	**72,310**

(1) Contains consolidated results from Magellan from June 1, 2016 through end of period.

(2) The following table shows the adjusted profit for the period as determined by the Issuer's management taking into account the effects on the Group's results arising from both costs and the non-recurring income in the income statement for the year ended 31 December 2016 and 2015 as described above.

	Year ended 31 December	
	2016	2015
	(in € thousands)	
Profit for the year	72,137	68,791
Non-recurring costs[(a)]	13,951	4,048
Tax effect of recurring income[(b)]	(4,114)	(1,256)
Extraordinary contributions to Resolution Fund[(a)]	2,179	1,101
Tax effect of contributions to Resolution Fund [(c)]	(661)	(374)
Profit for the year a*djusted*[(b)]	**83,492**	**72,310**
Profit for the year of Magellan for 5 months (January 2016-May 2016)	**3,972**	**-**
Non-recurring costs of Magellan for 5 months (January 2016-May 2016)	**128**	**-**
Tax effect	**(24)**	**-**
Profit for the year adjusted combined	**87,569**	**-**

(a) Of which €12,641 thousands for 2016 and €5,149 thousands for 2015 related to non-recurring administrative costs. Our profit and loss for the year closed on 31 December 2016 includes non-recurring costs for a total amount equal to €13,951 thousand, gross of the tax effect, related to: (i) the acquisition of Magellan for a total of €4,940 thousand; (ii) the costs of integrating Magellan, mainly relating to consultation services, equal to €967 thousand; (iii) the costs of the waiver connected to Magellan's delisting process equal to €3,963 thousand; (iv) other costs mainly related to the prepayments of certain liabilities of Magellan amounting to €576 thousand and (v) to the process concerning the possible initial public offering of our shares, for an amount equal to €3,505 thousand. The profit and loss for the year closed on 31 December 2016 also includes the extraordinary contributions to the Resolution Fund equal to €2,179 thousand. Furthermore, the profit and loss for 2016 includes €1.4 million relating to the financial expenses incurred due to the acquisition of Magellan. The profit and loss for 2015 includes non-recurring costs for a total of €4,048 thousand, gross of the tax effect relating to our possible public listing (which was later brought to a halt) equal to € 1,636 thousand, to costs relating to the analysis of possible acquisitions equal to €1,821 thousand and to costs relating to increased indirect taxes for €591 thousand. The profit and loss for 2015 includes extraordinary contributions to the Resolution Fund, equal to €1,101 thousand.

(b) Adjustment of tax liability on the basis of currently applicable tax regulations.

(c) The alternative performance measures represented are not identified as accounting measures under IFRS and therefore should not be considered alternative measures to those provided by the Issuer's financial statements for the evaluation of the Group.

The following table shows: (i) the adjusted aggregate profit and loss for the year the ended 31 December 2016, consisting in the sum of the twelve month-profit and loss of the Group (excluding Magellan) and the twelve month-profit and loss of Magellan, adjusted to not take into account non-recurring costs, (ii) the consolidated profit and loss of the Group for the year the ended 31 December 2016, consisting in the consolidation of the twelve month-profit and loss of the Group (excluding Magellan) and the seven month-profit and loss of Magellan, and (iii) consolidated profit and loss of the Group for the year ended 31 December 2015 (that does not include Magellan figures).

	As of 31 December		
	2016 adjusted (including Magellan for 12 months)	2016, (including Magellan for 7 months)	2015
		(in € thousands)	
Interest income and similar revenues	204,022	190,225	161,946
Interest and similar expenses	(37,142)	(31020)	(28,898)
Net interest margin	**166,880**	**159,205**	**133,048**
Net Fees and Commissions	**6,845**	**3,355**	**7,943**
Dividends and similar income	123	60	0
Gains/losses on trading	666	682	46
Fair value adjustments in hedge accounting	(1)	(1)	(23)
Gains /(losses) on disposals/repurchases	706	706	872
Operating income	**175,219**	**164,007**	**141,886**
Impairment losses/reversals	(2,678)	(2,244)	(1,126)
Administrative Expenses	(53,519)	(63,642)	(45,567)
Net provisions for risks and charges	**(2,076)**	**(2,075)**	**(879)**
Net adjustments to/write backs on property, plant and equipment and intangible assets	(2,729)	(2,616)	2,138
Other operating income/expenses	6,112	5,704	4,144
Profit before tax from continuing operations	**120,330**	**99,134**	**96,320**
Income taxes on profit from continuing operations	32,761	(26,997)	(27,529)
Profit for the year	**87,569**	**72,137**	**68,791**

The following table shows: i) the aggregate profit and loss for the nine month period ended 30 September 2017, ii) the aggregate profit and loss for the six month period ended 30 June 2017 and iii) the aggregate profit and loss for the year ended 31 December 2016, consisting in the sum of the profit and loss of the Group (excluding Magellan) and the profit and loss of Magellan for the year ended 31 December 2016.

	Nine-month ended 30 September 2017	**Six-month ended 30 June 2017**	**Year ended 31 December 2016 (sum of Group and Magellan)**
		(in € thousands)	
Net interest margin	141.3	106.6	166.9
Net Fees and Commissions	5.0	3.5	3.4
Operating income	144.4	105.9	171.7
Impairment losses/reversals	(2.3)	(1.9)	(2.6)
Net profit from financial activities	142.1	104.0	169.1
Net profit from financial and insurance activities	142.1	104.0	169.2
Administrative costs	(46.2)	(33.4)	(66.3)
a) personnel costs	*(21.7)*	*(15.2)*	*(26.3)*
b) other administrative expenses	*(24.5)*	*(18.2)*	*(40.0)*
Operating costs	(47.1)	(33.5)	(65.0)
Profit before tax from continuing operations	95.0	70.5	104.1
Income taxes on profit from continuing operations	(26.6)	(19.9)	(28.0)
Profit for the year	**68.3**	**50.7**	**76.1**

The following tables set forth certain key balance sheet information for the indicated periods.

	As of 31 December	
	2016(*)	**2015**
Assets		
Cash and cash equivalents	149	160
Financial assets held for trading	244	-
Financial assets at *fair value*	3,401	-
Available-for-sale financial assets	385,280	429,438
Held-to-maturity financial assets	1,629,320	822,859
Due from banks	144,871	60,523
Due from customers	2,499,094	1,962,004
Hedging derivatives	529	-
Equity investments	302	-
Property, plant and equipment	12,988	12,666
Intangible assets	25,811	2,747
of which goodwill	22,146	-
Tax assets	25,870	28,052
a) current	21,451	25,112
b) deferred tax assets	4,419	2,940
of which respect to Law 214/2011	749	547
Other assets	7,137	3,106
Total Assets	**4,734,996**	**3,321,555**

(*) Contains consolidated results from Magellan.

	As of 31 December	
	2016(*)	2015
Equity and Liabilities		
Due to banks	634,807	688,081
Due to customers	2,996,142	1,726,683
Debt Securities issued	634,283	452,962
Financial liabilities held for trading	7	0
Hedging derivatives	176	0
Tax liabilities	73,659	70,583
a) current	24,130	23,805
b) deferred	49,529	46,778
Other liabilities	54,319	45,884
Provisions for employee severance indemnities	867	883
Provisions for risks and charges:	6,989	5,195
a) pensions and similar commitments	6,343	4,830
b) other provisions	646	365
Valuation reserves	4,495	4,184
Reserves	126,132	127,409
Share capital	130,983	130,900
Profit for the year	72,137	68,791
Total Equity and Liabilities	**4,734,996**	**3,321,555**

(*) Contains consolidated results from Magellan.

Economic, operating and financial indicators

The table below sets forth certain key economic, operating and financial indicators for the indicated periods.

	As of and for the year ended 31 December	
	2016	2015
	(in € thousands)	
Economic, operating and financial indicators		
ROE (%)(1)	27.6%	26.2%
ROE *adjusted* (%)	31.9%	27.5%
ROTE (%)(2)	23.4%	26.5%
ROTE *adjusted* (*combined*) (%)	37%	28%
Cost/income ratio *adjusted*	32%	30%
Cost/income ratio *adjusted (combined)*	32%	30%

(1) Ratio between net profit of the year and shareholders' equity, including net profit or loss for the year and net of the dividends paid.
(2) Calculated as the ratio between the "Profit for the year" and "Shareholders' equity (excluding profit for the year)", net of intangible assets.

Prudential Requirements

The table below sets forth our Own Funds and prudential requirements as of 31 December 2016 and 2015.

	As of 31 December	
	2016	2015
	(in € thousands, except percentages)	
Common Equity Tier 1 CET1 before prudential filters	261,139	262,012
Additional Tier 1 Capital (AT1)	-	-
Tier 2 Capital (T2)	-	0
Own Funds	**235,345**	**259,265**
Credit and counterparty risk	82,998	60,809
Credit valuation risk	76	-
Market risks:	-	-
a) Standardized approach	-	-
b) Internal models	-	-
c) Concentration risk	-	-
Operational risk:	-	-
a) Basic indicator approach	*29,775*	*24,457*
b) Standardized models	-	-
c) Advanced measurement approach	-	-
Total capital requirements	**112,849**	**85,266**
Risk-weighted assets (RWA)	1,410,612	1,065,819
RWA/total assets	29,8%	32%

The table below sets forth the Own Funds attributable to our Group and minority interest shareholders as of 31 December 2016 and 2015, under the Basel III framework.

	As of 31 December	
	2016	**2015**
Group Regulatory Capital Ratios		
Common Equity Tier 1/Risk-weighted assets (CET1 Capital Ratio)	16.7%	24.3%
Tier 1 Capital/ Risk-weighted assets (Tier 1 Capital Ratio)	16.7%	24.3%
Total Own Funds/ Risk-weighted assets (Total Capital Ratio)	16.7%	24.3%
Leverage ratio (Pilar III)	4.9%	6.1%
Risk-weighted assets (in €million)	1,410,612	1,065,819

DESCRIPTION OF THE ISSUER

Overview

Banca Farmafactoring S.p.A. ("**Banca Farmafactoring**", the "**Issuer**", "**us**" or "**we**") is specialized in the management, collection and non-recourse factoring of receivables due to third party suppliers primarily from the agencies of national healthcare systems and other public administration entities in Italy, Spain, Portugal and Greece (jointly the "**Southern European Markets**"), directly operated by the Issuer, and through the services provided for by our subsidiary Farmafactoring España S.A. ("**Farmafactoring España**"). Our traditional activities consist in: (i) credit collection management ("**Credit Collection Management**") and (ii) non-recourse factoring ("**Non-Recourse Factoring**") (jointly, the "**Traditional Activities**"). Following the acquisition of Magellan S.A. ("**Magellan**") in June 2016, we also offer a wide range of financial services (including factoring) in Poland, Slovakia and the Czech Republic (jointly the "**Eastern European Market**").

The following table set forth the main indicators of our volumes and the main ratios as of 31 December 2016 and 31 December 2015.

	As of 31 December 2016	As of 31 December 2015
	(in € millions, except percentages)	
Due from customers	2,499	1,962
Online deposits	822	417
Net profit for the year	72.1	68.8
Common Equity Tier 1/Risk weighted assets (CET1)	16.7%	24.3%

We have been operating in the Italian market since 1985, which is our primary market (approximately 75% of customer loans, generating 85.0% of our net interest margin for the year ended 31 December 2016). We are one of the leading operators in the Italian factoring market for non- recourse factoring of receivables towards the public administration with a market share in Italy of 23.6% as of 31 December 2016 (*Source*: *Company analysis on internal data*). In over thirty years of activity, we have become an important business partner for suppliers of the national healthcare system (including pharmaceutical, diagnostics and biomedical sectors) and the public administrations offering working capital solutions to address public payment delays in Italy. We have established and developed relationships with the largest debtors and creditors in the healthcare sector and more recently in the public administration, through which we have acquired an extensive knowledge of the market and have established full geographical coverage in Italy.

In 2011, to respond to the needs of certain multinational companies that already formed part of our client base in Italy, we started providing Credit Collection Management and Non-Recourse Factoring services in Spain through our subsidiary Farmafactoring España S.A. in respect of receivables due from the Spanish national healthcare system and the Spanish public administration (approximately 6% of customer loans, generating approximately 6% of our net interest margin for the year ended 31 December 2016). Since 2014, we have also provided Non-Recourse Factoring services in Portugal, under the freedom to provide services, in connection with receivables due from the Portuguese national healthcare system becoming the independent leaders in the Spanish and Portuguese markets (*Sources*: *FAE, Factor Chain International, Issuer estimates*).

Our Credit Collection Management business in Italy and Spain consists in the management of the recovery and collection of receivables mainly owed to suppliers of national healthcare systems and/or public administration entities ("**Suppliers**"), including the management of administrative issues and credit collection actions, both in court and out of court, and other ancillary services such as electronic invoicing and credit certification in Italy. Our income in this segment derives primarily from: (i) invoice loading fees and (ii) collection of commission. For the year ended 31 December 2016, we managed €2.9 billion in new receivables (primarily in Italy, with less than €6 million in Spain) and collected on €3.2 billion (primarily in Italy, with less than €18 million in Spain) under our Credit Collection Management business.

As part of our Non-Recourse Factoring business in Italy, Spain, Portugal and Greece, we purchase the principal amount and interest component (including late payment interest and ancillary income) of receivables mainly owed to Suppliers and we manage their collection on our behalf. The receivables we acquire are generally overdue and bear late payment interest, the amount of which is regulated by European Union law. Our income in this segment derives primarily from: (i) maturity commission and (ii) late payment interest. In

2015 we also expanded our Non-Recourse Factoring business to receivables due from the Italian tax authorities. For the year ended 31 December 2016, we purchased €3,002 million in new receivables (€2,606 million of which were in Italy, €346 million in Spain and €51 million in Portugal), collected on €2,995 million (€2,564 million of which was in Italy, €391 million in Spain, and less than €40 million in Portugal) and have €2,017 million outstanding under management under our Non-Recourse Factoring business.

In January 2013, we obtained a banking license in Italy, and in September 2014 we began offering a retail bank product with the launch of our "*Conto Facto*" online term deposit account in the Italian market. This initiative has brought many benefits, including a more balanced funding base and the expansion of our client base to retail and corporate clients. In February 2015, we received the Bank of Spain's authorization to open a branch in Spain and subsequently, in August 2015, we launched the "*Cuenta Facto*" online term deposit account in Spain, a similar product to our "*Conto Facto*" online term deposit account in Italy.

In March 2016, we filed with the Bank of Italy an application to offer banking services in Germany under the freedom to provide services and in June 2016 we launched the collection of terms deposits in Germany through the online platform *Welstparen.de*, using our Spanish branch under the freedom to provide services. On the German market, we provide the "*Cuenta Facto*" online term deposit account, which allows German customers to access term deposit accounts offered by foreign banks not established in Germany.

On 27 May 2016 the tender offer in respect of all the share capital of Magellan was finalised and on 30 June 2016 we completed the acquisition, through the vehicle Mediona spółka z ograniczoną odpowiedzialnością ("**Mediona**"), of the entire share capital of Magellan, the parent company of a group operating in Poland, Slovakia and the Czech Republic (the "**Magellan Group**") in the alternative financing market ("**AFM**"), which offers a diversified range of financial services (including non-recourse and with recourse factoring), aimed at guaranteeing access to short-term funding for suppliers of the healthcare sector and local authorities, as well as providing funding for parties operating in the healthcare and public authority sectors. The acquisition of Magellan and the group of companies it controls led to significant growth for the Group, which extended its activities to the Eastern European Market, at the same time diversifying the range of financial services offered (as of 31 December 2016 Poland represents approximately 14% of total customer loans, while the rest of the Eastern European Market represents approximately 3%). See "*—Acquisition of Magellan*" below.

For the year ended 31 December 2016, following the acquisition of Magellan (which was consolidated into our Group starting from the end of the Magellan Transaction for the following seven months) and not correcting for the one-off extraordinary costs, we recorded a net profit of €72.1 million, compared with €68.8 million for the same period of the previous financial year, which did not include the Magellan Group. Not taking the Magellan Group into consideration, the net profit of the Issuer and Farmafactoring España, for the year ended 31 December 2016, would have been €69.2 million, with an increase of €0.4 million compared with 31 December 2015.

We remain in compliance with the various capital requirements regulatory indicators imposed on us as a bank. Our Group's Own Funds, also including the Magellan Group, as of 31 December 2016, stood at €235.3 million and our Group's overall exposure to risks was considered adequate for our actual risk profile and capital resources available. With reference to the Banking Group, the supervisory capital coefficients, CET1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio, stand, respectively, at 16.7%, 16.7% and 16.7% as of 31 December 2016, if we do not record the profit for the period under capital. Our Group's overall exposure to risks is compliant with the applicable legal framework.

In addition, as part of our strategy to consider organic expansion in other markets similar to those where we already operate, we are also considering starting operating in Greece in the near future. In February 2017, we filed with the Bank of Italy an application to offer factoring services in Greece under the freedom to provide services. We obtained the relevant authorization by the Bank of Italy on 28 March 2017 and in September 2017 we completed our first acquisition of a portfolio of credits towards public hospitals in Greece for a nominal amount of approximately €10.0 million. See "*—Recent Developments—Expansion of our business in Greece*". Furthermore, in October 2017, we submitted a filing with the Bank of Italy to open a branch in Portugal and expand our offer of factoring services (currently provided under the freedom to provide services) and we expect that we will start operating a branch in this country presumably in the second half of 2018. See "*Description of the Issuer—Recent Developments—Expansion of our business in Portugal*".

Our Key Competitive Strengths

We believe that our competitive strengths are represented by the following key factors:

Operating in large markets with attractive opportunities for growth and a highly stable regulatory framework

The Southern European Markets in which we operate and in which we have historically been active for our Traditional Activities is highly stable despite the austerity measures adopted by the government of the three countries in relation to the public expenditure. In these markets the public administration's expenditure on goods and services, which generate the receivables that we manage and/ or purchase, was equal to €136 billion in Italy (approximately 8.1% of GDP), €57 billion in Spain (5.0% of GDP) and €11 billion in Portugal (5.7% of GDP), for a total of approximately €203 billion in 2016. (*Source:* for Italy *the Ministry of Economy and Finance*, for Spain *the Ministerio de Hacienda y Administraciones Públicas e Actualización del Programa de Estabilidad 2017-2020 - Reino De España*, and for Portugal *the Instituto Nacional de Estatistica Portugal*) and is expected to remain stable in the foreseeable future.

The Southern European Markets present limited factoring penetration (i.e. factoring turnover in the public administration divided by total public administration current expenditure for goods and services) versus public expenditure, thus offering scope to specialized players to expand their activity by: (i) developing new business with potential customers which do not currently use factoring and (ii) managing and/or purchasing greater volumes of receivables from existing customers. (*Source: Assifact, "DEF" and company financial statements* for Italy; *AEF and "Actualizacion del Programa de Estabilidad 2016-2019* for Spain*; the expansion is calculated as non-recourse turnover from the public administration / public spending on goods and services*).

Similarly, the Eastern European Markets in which we operate (Poland, Slovakia and the Czech Republic) are characterized by high historic growth rates in public expenditures and positive future prospects as well as a limited penetration of the AFM. Poland, which represents Magellan's main market, recorded an average growth rate of approximately 5% in respect of healthcare expenditure in the last four years (€31 billion in 2016, equal to approximately 7.4% of the GDP) and almost stable in respect of local authorities (€55 billion in 2016, equal to approximately 13% of the GDP). The growth in healthcare expenditure (aimed at filling the current gap with more developed economies), the demographic trend characterized by a steady increase in the average age of the population and any current and future regulatory changes could contribute to the expansion of these markets in the forthcoming years.

Historically, the countries in which we operate have endemic delays in payments due to public administration suppliers, due to, among other factors: (i) a mismatch between centralized tax collection and decentralized public spending allocation, (ii) administrative complexity, and (iii) commercial debt not classified as public debt which allows financial flexibility to governments.

Since 2000, the public administration receivables sector has been regulated by a stable and harmonized regulatory framework at the European level (Directive 2000/35/EC) through the introduction of the European regulation on combatting late payment in commercial transactions between companies or between companies and public administrations, ensuring uniformity and certainty by establishing principles and methods for the calculation of the maximum terms for supplier payment permitted for the public sector and late payment interest. Such regulatory framework was integrated in 2011(through Directive 2011/7/EU). As of the date of this Prospectus, the statutory interest rate is equal to 8% above the ECB's reference rate or, for EU countries which are not part of the Eurozone, the central bank of the relevant country. We believe that such EU regulatory framework helps strengthen our business by creating visibility on some of the key variables which impact our business model.

Leadership in factoring of receivables from public administration in Italy, Spain, Portugal and alternative healthcare financing market in Poland

In Italy we hold a leading position amongst specialized factoring market players (with a market share of approximately 23.6% as of 31 December 2016 in respect of the stock of non-recourse receivables towards the public administration), while in Spain we are the leader among the independent factors in the context of the purchase of receivables from Suppliers and among the top six factoring market players in relation to our total purchased volumes of non-recourse receivables towards the public administration and in Portugal we are the

leader among the independent factors in the context of the purchase of receivables from suppliers of the national healthcare system (*Sources*: Assifact, FAE, Factor Chain International and Issuer estimates as of 31 December 2016).

Following the acquisition of Magellan, we are market leader in financial services for healthcare entities in Poland where we are also active in the sector of alternative financing solutions for the hospitals, which in the past three years recorded a significant growth and where we believe we are best positioned to take advantage of the future expected growth being also one of the few specialized alternative financing players (*Source: market analysis conducted by PwC in Poland*). Furthermore, Magellan is one of the key players amongst nonbank financial institutions in the market of financial services to hospitals and to the healthcare sector in Slovakia, where it has replicated its business model and established consolidated relationships with 36 healthcare facilities, which represent approximately 50% of the healthcare facilities present in the country.

Long standing relationship with high-profile clients generating significant amount of recurring business

We benefit from having over thirty years of experience in Italy and being able to offer a broad range of services in the markets in which we operate, as well as from having an efficient platform which is integrated with the platforms of our key clients. This allows us to position as a partner in the management and disposal of receivables due from the public sector. Similarly, in Eastern Europe, and especially in Poland, Magellan has long term relationships with clients, who in the healthcare sector include certain multinational groups to which we already provide services in Italy, Spain and Portugal, and is their reference partner for alternative financing solutions.

In the Southern European Markets, we have well established relationships with our main counterparties, including the main suppliers of the Italian national healthcare system. This is evidenced by our high client retention levels and increasing growth in volumes: as of 31 December 2016, our top 10 clients in the context of our Credit Collection Management business had been our clients for an average of over 18 years and generated approximately 46% of volumes (equal to €2.7 billion in total), and our top 10 clients in the context of our Non-Recourse Factoring business had been our clients for an average of approximately ten years and generated approximately 40% of volumes.

Our client retention level represents a solid base upon which we can generate volumes and, at the same time, allows us to benefit from great visibility into our business prospects. In the Southern European Markets, over 80% on average of the volumes generated in the past 10 years relate to clients which in each year between 2013-2016 have guaranteed our business continuity ("**Consolidated Clients**"), also taking into account entities resulting from the consolidation of individual clients and/or clients who also operate in Spain and Portugal.

Our client retention level represents a solid base upon which we can generate volumes and, at the same time, allows us to benefit from great visibility into our business prospects.

Traditionally, in Italy, Spain and Portugal, we have mainly worked for and alongside leading multinational and national suppliers of products and services to the public administrations which, by virtue of the high reliability and quality standards of the services we offer, in many cases outsource all their Credit Collection Management activities to us, thus, in our opinion, creating a significant barrier to entry for other competitors. The majority of these clients have extensive experience in their sector and high credit ratings. Moreover, they benefit from higher growth rates on the markets as a result of a wide product portfolio as well as their ability to act as a consolidator in their sectors. In turn, we benefit from the profiles of our client base in terms of business volume and more stable relationships, as well as reduced counterparty risk.

Long track record in dealing with Public entities and deep knowledge of the payment dynamics and strategies

Thanks to our long-term experience in the Italian healthcare system segment, we have developed an extensive knowledge of our final debtors and of the Credit Collection Management trends and strategies. We have also established and continue to develop a detailed information database, which enables us to:

- monitor relevant payment trends, particularly DSOs;

- assess and predict the timing for credit collection and credit risk and to determine the pricing of the receivables we purchase; and
- effectively and efficiently manage the entire receivables and late payment interest collection process, and to collect high percentages of late payment interest in short periods of time.

Our advanced and scalable IT proprietary systems developed in-house in more than 30 years of activity represents a key competitive advantage, providing distinctive features of business model and offering a high level of efficiency for customers and debtors, representing, in our opinion a significant barrier to entry for competitors.

Experienced management team with proven track record of being able to successfully implement a growth strategy

Our management team has significant experience and extensive knowledge of the markets in which we operate. In particular, with respect to the Southern European Markets, our management team has, on average, over ten years of experience and an extensive knowledge of Credit Collection Management and Non-Recourse Factoring in Italy. Over time, our management has been able to take advantage of both its experience in executing transactions and its ability to manage growth strategies even in non-traditional areas (such as central administration and public entity segments, and the Portuguese market). Our Eastern Europe activities are directed by the management team of Magellan, which has been with Magellan for nearly 12 years.

Proven track record of high growth and profitability

Since 2013, in our Traditional Activities we have experienced high growth rates in terms of volumes and profitability and, in particular, we recorded an increase in net profit from €57.5 million[3] in 2014 to €87.6 million in 2016 (with a CAGR of 12%).[4]

The significant increase in volumes has been achieved also through a diversification of our activity towards segments with lower risk weighting (e.g. Iberia and other public administration different from the national healthcare system) resulting in a decreasing risk-weighted assets ("**RWAs**") density and higher risk adjusted return.

In the Southern European Markets, we have also significantly increased the number of our clients and debtors during the last three years (from 145 new clients in 2014 to 262 in 2016 and approximately from 1,769 new debtors in 2014 to 6,879 in 2016), reducing the concentration of our client base and increasing the diversification of our portfolio. To support our growth strategy, since 2014 we strengthened our sales organization and started using indirect distribution channels by entering into agreements with other financial institutions (14 banks as of 31 December 2016), brokers, other factors, insurance and reinsurance companies or trade associations, and new distribution agreements with third parties.

In order to pursue our growth strategy in the European market both organically (also by taking advantage of cross-selling opportunities with clients operating in the pharmaceutical, diagnostics and biomedical fields) and by way of acquisition, in June 2016 we successfully completed the Magellan Transaction. See "*—Acquisition of Magellan*" below. We believe our volume growth trend will benefit from the acquisition of Magellan and that our growth could be further strengthened through the improved funding conditions available to Magellan as a member of our Group.

Solid business model characterized by high margins and strong profitability, an efficient cost structure despite investment to support growth and a strong capital position

Over the past three years, we have recorded high margins with the net interest margins continuously growing thanks to: (i) our leadership position in the markets in which we operate; (ii) our ability to assess and predict the collection time of purchased receivables and collect late payment interest; and (iii) the decrease in our cost of funding. The net interest margin increased from €107.7 million[5] in 2014 to €159.2 million in 2016 (with a

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[3] Such amount has been normalized to account for the effects of the change in the valuation methods concerning the recoverability of late payment interest.
[4] Such amount has been normalized to account for the effects of extraordinary items.
[5] Such amount has been normalized to account for the effects of the change in the valuation methods concerning the recoverability of late payment interest.

CAGR of 22% in relation to the period 2015-2016, including Magellan), compared to due from customers which increased from €1,136.6 million at the beginning of 2014 to €2,499.1 million as of 31 December 2016 (with a CAGR of 30%). Through the acquisition of Magellan we accelerated our growth process and strengthened our return on the invested capital. As of 31 December 2016, our ratio between net profit of the year and shareholders' equity ("**ROE**") was equal to 27.6% and adjusted ROE (net of the ancillary costs) was equal to 31.9%. Over the last three year we achieved a high double-digit earnings growth with a strong and resilient profitability also through the cycle. Our results have enabled us to implement a generous dividend policy for our shareholders (in the last three years, we have distributed dividends totalling €189 million) and to finance high rates of organic growth without using external capital.

During the last three years we have made significant investments in order to support our internal growth and the transformation into a bank. The number of our employees increased from 188 at the end of 2015 to 409 at the end of 2016 (225 employees at the end of 2016 not including Magellan), and in particular we increased our salesforce from 12 in 2015 to 18 in 2016. Although such investments resulted in an increase in our operational costs, we maintained a high operational efficiency principally due to: (i) limited fixed costs incurred compared to income and (ii) a significant variable component, not exceeding the fixed component, of remuneration in respect of our top management, that can be brought to 200% by the shareholders' meeting, upon request of the Board of Directors, save for the Heads of Control functions and Human Resources, whose cap is set to 33% of the fixed component, in accordance with the Remuneration Policy approved by the shareholders' meeting on 5 December 2016. Our efficient operating structure was evidenced by a cost/income ratio equal to 40.4% in 2016 (32.0% excluding extraordinary costs).

Our capital ratios are significantly higher than the minimum regulatory requirement and our SREP level, and are among the highest in the European and Italian market. As of 31 December 2016, the Banking Group recorded a Common Equity Tier 1 Ratio and a Total Capital Ratio each equal to 16.7%, excluding any income generated in the year. The consolidation perimeter for the purposes of the CRR recorded a Common Equity Tier 1 Ratio and a Total Capital Ratio equal to 16.4% and 16.6%, respectively. Given business seasonality, year-end figures represent the peak of activity and, consequently, the highest level of capital absorption.

Growing and diversified funding base with decreasing cost of funding and assets characterized by a low complexity and risk profile

We have demonstrated an ability to maintain high quality funding resources in all market cycles, also due to our asset and liability management strategy aimed at ensuring appropriate liquidity levels. Our limited risk profile combined with our high and stable profitability and the strong relationships with the banking systems have allowed us to have continuous access to credit lines. We have also demonstrated our ability to cover funding needs even during the peak of the financial crisis and sovereign debt crisis. We have a conservative liability management approach since our funding source duration is significantly higher than that of the receivables purchased.

After having obtained the banking license in 2013 and implemented certain actions to operate as a bank in the course of 2014 and 2015, we were able to diversify and expand our funding resources, and to significantly reduce, from the second half of 2014, the cost of funding and expand the purchase of receivables in the context of our Non-Recourse Factoring business. More specifically:

- in June 2014, we successfully placed our first senior unsecured bond issue for €300 million, which matured on 12 June 2017 and was repaid in full; in September 2014, we launched an online term deposit account in Italy, and we collected deposits totalling €418 million as of 31 December 2015 compared to €226 million as of 31 December 2014, an increase of 84.9% also thanks to the launch in August 2015 of a similar product in Spain. As of 31 December 2016 the Group collected in total approximately €817 million (an increase of 95.5% as of 31 December 2015);
- in June 2016, we successfully placed a further senior unsecured bond issue for €150 million with maturity in 2021 and an interest rate of 1.25%;
- in March 2017, we successfully placed our first Tier 2 bond issue for €100 million with maturity in 2027 and an interest rate of 5.875%, subject to reset; and

- in June 2017, we successfully placed a further senior unsecured bond issue of €200 million with maturity in 2022 and an interest rate of 2.00%.

Our Liquidity Coverage Ratio (a regulatory index relating to short term liquidity, i.e. within 30 days) was equal to 391% as of 31 December 2015 and 502% as of 31 December 2016, which was significantly higher than the minimum regulatory requirement, equal to 60% and 70% as of 31 December 2015 and 2016, respectively. We also have a low leverage ratio, which in the years ended 31 December 2015 and 2016 was equal to 6.1% and 4.9% (5.9% excluding Magellan), respectively.

We believe that our credit portfolio includes high quality assets, consistent with our strict rules governing the purchase and management of receivables. The receivables we acquire have a low credit risk, since our main debtor counterparties are entities of the Italian, Spanish and Portuguese national healthcare systems and public administrations, which have a low insolvency risk. The assignors of our receivables also have a low risk profile being confined to the risk that they may be unable to pay back the purchase price in the event that the assigned receivables turn out to be inexistent or without value and therefore we have the right to recover the principal and interest from them. This risk is very low thanks to the high credit quality of our clients and, for our minor clients in Spain and Portugal, our invoice settlement system which confirms the acknowledgment from the debtors of the receivables before purchase. We believe the low-risk nature of our assets is shown by our low amount of non-performing receivables. For the years ended 31 December 2015 and 2016, our net non-performing receivables were equal to 0.1% and, (including Magellan) 0.5%, respectively, of factoring assets.

Consistent growth in profits and increasing returns on weighted assets to support high dividend distributions

Over the past three years, we have recorded a consistent growth in profits, thanks to successful initiatives (such as the consolidation of our expansion into Spain and diversification in the non-health public administration sector) which were supported by the extension of our funding resources and the reduction in the cost of funding. Despite the investments we have made in infrastructure and operating costs, we have maintained an efficient cost structure, with a particularly low cost income ratio (approximately 30%, adjusted), thus limiting the initial negative impact of such initiatives on our profits.

Our business model and our capacity to replicate it are reflected in our financial results which, despite the adverse macroeconomic conditions in Europe and Italy, have demonstrated that our business has a robust capacity to generate profits (amounting to €72 million in 2016 and €69 million in 2015), even in adverse market conditions. Our ability to generate increasing profits, combined with greater efficiency in the use of capital in segments characterized by reduced risk-weighting (such as the non-healthcare public administration sector and the Spanish market), has allowed us to increase our returns on risk-weighted assets, which decreased from approximately 14.1% in 2015 to approximately 13.2% in 2016 (calculated as the ratio between total profits and average risk-weighted assets for the relevant period).

The positive results which we have achieved in terms of profitability have given us great flexibility which, together with our robust capital position (CET1 equal to 16.7% as of 31 December 2016 in relation to the Banking Group) and our ability to use our capital efficiently, has enabled us to implement a generous dividend policy for our shareholders (in the last three years, we have distributed dividends totalling €189 million, including the profits of the year 2016) and to finance high rates of organic growth without using external capital.

Our Business Strategies

We seek to operate our business by implementing the following strategies:

Consolidation of our position of leadership amongst suppliers to the healthcare sector in Italy and further expansion of our business towards public administrations and private entities operating in the Italian healthcare sector

We intend to increase our market share that we hold in Italy in the Credit Collection Management and Non-Recourse Factoring business towards the health care sector, as well as to: (i) consolidate our position of leadership amongst specialized suppliers to the healthcare sector by increasing client loyalty and further improving and customizing of the services we offer; (ii) maintain a central role in providing specialized services in the management and sale of receivables for large customers; (iii) capitalize on our strong market

position and the experience we have acquired in the management of receivables due to suppliers of the Italian national healthcare system, expanding our activities towards public administrations and private entities (including religious organizations) operating in the healthcare sector; (iv) increase the diversification of our client base and the type of receivables purchased, also expanding our activities concerning the purchase of tax receivables; and (v) continue to invest in the technological infrastructure of our IT systems, which represents a competitive advantage in the traditional markets of our business.

Further growth in non-Italian markets

We intend to pursue growth opportunities in markets outside of Italy, by identifying markets which have similar characteristics (particularly with respect to the regulatory and legislative framework) to Italy, as we have done in Spain, Portugal and recently in Greece. We seek to expand our presence in Spain, Portugal and Greece, which we have developed organically, as well as seek out strategic acquisitions.

In Spain and Portugal, we seek to take advantage of our experience and cross-selling opportunities deriving from our multinational client base. Our aim, especially in the segment relating to receivables due from national healthcare systems, is to manage volumes of receivables consistent with those in Italy, and to continue to increase our business with the public administration in Spain (including publicly owned companies) and to generate new business with the public administration in Portugal and Greece.

With respect to other European markets, we successfully acquired Magellan, one of the leading operators in the field of financial services for the healthcare industry and local public administrations in Poland, the Czech Republic and Slovakia. See "*—Acquisition of Magellan*" below. We believe we could successfully replicate, organically or through bolt-on acquisitions, our model in other European Union markets.

Maintenance of high quality assets, strong capital position and high level of dividend distribution

We intend to maintain high capital ratios in order to cover the risk relating to our Non-Recourse Factoring activities in Italy and Spain and to support the growth strategies described above. In particular, we intend to keep our Total Capital Ratio at or above 15%, and to continue to undertake a conservative risk management and maintain high quality assets. This has also allowed us to maintain a high level of dividend distribution to our shareholders, which we have been able to do in the past due to our high capacity to generate profits regardless of the difficulties arising from unfavourable contexts at a macroeconomic level.

Constant optimization of our funding resources in terms of cost, availability and diversification

We intend to continue to improve our funding structure to support our business through the diversification of our funding resources, the reduction in costs and the increase in volumes. We intend to increase the online collection of deposits from retail and corporate clients by strengthening such activities even in new markets (as we did in September 2014 with the launch of "*Conto Facto*" in Italy, in August 2015 with the launch of "*Cuenta Facto*" in Spain through our Spanish branch and in June 2016 with the launch of the online collection of deposits from German clients through our Spanish branch). Following our third bond issue in March 2017 and our fourth bond issue in June 2017, we also intend to continue to raise funding in the debt capital markets, in the securitisation market and through ECB funding and other interbank channels to which we have access as a result of obtaining a banking license. The increased availability of funding and the reduction in the cost of funding are instrumental in achieving the growth strategies outlined above and represent an innovative feature for our traditional business model. See "*—Description of Our Business Activities by Service Segments—Collection of online deposits* ("*Conto Facto*" *and* "*Cuenta Facto*")".

Expansion and diversification of distribution channels

We intend to continue our strategy developed over the last few years of diversifying and expanding our distribution channels in Italy and Spain, which is aimed at acquiring new clients by strengthening our direct sales network and collaborating with other financial intermediaries, insurers, reinsurers and/or brokers. We believe that by having a greater diversification of distribution channels, we may be able to reach out to a broader set of counterparties to in turn diversify our own portfolio.

Our History and Development

History

First Developments

The Issuer was incorporated on 22 July 1985 under the name of "*Farmafactoring S.p.A.*", by Confarma S.p.A. ("**Confarma**") (a consortium of pharmaceutical companies with an initial holding of 60% of our shares), B.N.L. Holding S.p.A. ("**BNL**"), which owned 30% of our shares, and International Factors Italia S.p.A. ("**Ifitalia**"), which owned 10% of our shares, in order to manage and collect the receivables due from the Italian national health system to pharmaceutical companies.

In 1990, we started to carry out non-recourse factoring services alongside the management and collection of receivables. In 1992, we began operating as an authorized financial intermediary and were included in the special register of the Bank of Italy and in 1994 we were also registered in the general list of the Bank of Italy.

In 2004, we founded the Farmafactoring Foundation with the aim of improving the public knowledge of socioeconomic and financial issues in relation to social welfare, with a particular focus on the health service system.

In December 2006 and January 2007 the private equity fund Apax Europe VI, managed by Apax Partners, purchased a controlling stake in Confarma and the remaining stakes in our share capital held by other minority shareholders and became our indirect controlling shareholder through a newly incorporated company, FF Holding S.p.A. ("**FFH**"), controlled by Farma Holding S.à r.l. ("**Farma Holding**"). Before the acquisition Confarma held 60% of our shares and the minority shareholders were Ifitalia, Finanziaria Banca Agricola Mantovana S.p.A. and Banca di Roma S.p.A., respectively holding stakes of 19%, 11% and 10%.

On 10 December 2009 we incorporated, and became the sole shareholder of, Farmafactoring España S.L., which offers factoring of healthcare receivables in the Spanish market. In 2011 Farmafactoring España S.L. completed the first purchase of receivables and in July of the same year was transformed into Farmafactoring España S.A.

On 2 January 2013, we were authorized by the Bank of Italy to carry on banking activities. Shortly thereafter, on 3 July 2013, we changed our corporate purpose and changed name to Banca Farmafactoring S.p.A. and were registered as Banca Farmafactoring in the register of banks (*albo delle banche*) held by the Bank of Italy, as well as in the register of banking groups (*registro dei gruppi bancari*) as parent company of the Banking Group and we became a bank. At the same time, on 2 July 2013, we were removed from the list of financial intermediaries held by the Bank of Italy.

In 2014, we started to provide factoring services in Portugal where our business is carried out under the freedom to provide services (following the filing of an application with the Bank of Italy, which on 23 April 2014 confirmed to have no objections in this respect).

In September 2014, we launched our "*Conto Facto*" online term deposit account service in Italy. This was the first retail product created to diversify our sources of financing used for the purchase of receivables within our Non-Recourse Factoring business and to minimize overall funding costs. On 3 November 2014, we applied to the Bank of Italy for the authorization to open a branch in Spain under freedom of establishment, in order to introduce an online deposit called "*Cuenta Facto*" also in the Spanish market, following the model of the "*Conto Facto*" online term deposit account in Italy.

In March 2016, we informed the Bank of Italy of our intention to offer banking services in Germany and having received no objection from them in this regard, in June 2016, we launched the collection of savings in Germany through the online platform *Welstparen.de*, using our Spanish branch under the freedom to provide services. On the German market, we provide the "*Cuenta Facto*" online term deposit account service, which allows German customers to access term deposit accounts offered by foreign banks not established in Germany. As of 31 December 2016, the collection of "*Conto Facto*", "*Conto Facto Plus*" and "*Cuenta Facto*", jointly with the abovementioned German service, amounted to €822.4 million compared to €416.7 million as of December 2015.

In addition, in line with our organic group strategy, in February 2017, we submitted our first filing with the Bank of Italy to offer factoring services in Greece under the freedom to provide services. We obtained the relevant authorization by the Bank of Italy on 28 March 2017 and in September 2017 we completed our first acquisition of a portfolio of credits towards public hospitals in Greece for a nominal amount of approximately €10.0 million. See *"—Recent Developments—Expansion of our business in Greece*". Furthermore, in October 2017, we submitted a filing with the Bank of Italy to open a branch in Portugal and expand our offer of factoring services (currently provided under the freedom to provide services) and we expect that we will start operating a branch in this country presumably in the second half of 2018. See "*Description of the Issuer—Recent Developments—Expansion of our business in Portugal*".

The Issuer is incorporated and operates under the laws of Italy, and is registered with the Milan Chamber of Commerce under registration number 07960110158, with its registered office at Via Domenichino, 5, 20149 Milan, Italy. The Issuer is also on the register of banks (*albo delle banche*) held by the Bank of Italy under registration number 5751 and on the register of banking groups (*registro dei gruppi bancari*) under registration number 3435. The Issuer's by-laws specify that the period of the Issuer's duration expires on 31 December 2100 and may be extended at an extraordinary meeting of the shareholders. The telephone number of the Issuers' registered office is +39 02 499 051.

Group corporate reorganization

On 14 October 2014 (with accounting effects as of January 2015), FFH was merged into us and, as a result of the merger, the shareholders of FFH became our shareholders.

Therefore, our corporate structure was as follows: (i) Farma Holding S.à r.l. (88.3471%), (ii) Bracco S.p.A. (3.2758%), (iii) Merck Serono S.p.A. (2.5862%), (iv) L. Molteni & C. dei Fratelli Alitti Società di Esercizio S.p.A. (1.2069%), (v) Mediolanum Farmaceutici S.p.A. (1.2069%), and (vi) a group of our managers and former managers as minority shareholders (in aggregate 3.3771%).

In April 2015, the funds advised by Apax Partners and other shareholders agreed to sell their stake in the Issuer to an affiliate of Centerbridge Partners L.P. ("**Centerbridge Partners**"). The transaction was finalized in November 2015 when 94.26% of our share capital was transferred by Farma Holding to BFF Luxembourg, indirectly controlled by the private equity fund Centerbridge Capital Partners III (PEI) L.P.

Following the ordinary and extraordinary shareholders' meeting of 18 May 2016, on 31 May 2016, 1,704 special shares were issued and granted without consideration to the employees of the Group, resulting in an increase in the share capital from €130,900,000 to €130,982,698. As a result of the initial public offering (see "*–Initial public offering*" below), such special shares were converted into our ordinary shares. In addition, as a result of the initial public offering (see "*–Initial public offering*" below), shares held by certain of our key managers into BFF Luxembourg were converted into our ordinary shares.

For more information regarding our corporate structure, see "*Shareholders, Share Capital and Subsidiaries*".

Acquisition of the Magellan Group

On 27 May 2016 the tender offer in respect of all the share capital of Magellan was finalised and on 30 June 2016 we completed the acquisition of Magellan (the "**Magellan Transaction**"), as a result of which we currently hold 100% of the share capital of Magellan. See "*—Acquisition of Magellan*" below.

Initial public offering

On 5 April 2017 we announced the conclusion of the placement to institutional investors of our ordinary shares and the admission to trading on the *Mercato Telematico Azionario*, organised and managed by Borsa Italiana S.p.A. The placement comprised 53,000,000 ordinary shares offered for sale by BFF Luxembourg, equal to 31.16% of the share capital (excluding the exercise of the green-shoe option). The offer price for the shares was set at €4.7 per share. Trading on the *Mercato Telematico Azionario* started on 7 April 2017.

Shareholders, Share Capital and Subsidiaries

Shareholders

As at the date of this Prospectus, the Issuer had an authorised share capital of €137,881,898.00, €130,982,698 of which has been issued and paid up, represented by 170,107,400 ordinary shares without nominal value and in dematerialized form. The remaining €6,899,200 of the authorized share capital may be issued and paid up through the issuance of a maximum of 8,960,000 new shares, in one or more tranches, in 12 years starting from 5 December 2016. Since 31 December 2016, there has been no change to the Issuer's share capital. BFF Luxembourg holds a majority shareholding in the Issuer, representing 55.809% of its share capital *(Source: official communications to the Issuer – Modello 120A – 120B)*. We are not subject to direction, management and control functions by BFF Luxembourg pursuant to Article 2497 of the Italian Civil Code.

For the sole purposes of prudential supervision reporting under CRR, our parent company BFF Luxembourg and its parent company BFF Lux Holdings are included in a consolidation perimeter and must be consolidated into our financial statements with effect from the year ended 31 December 2016, even if these entities do not form part of the Group.

On 20 June 2016, BFF Lux Holdings was put into liquidation and its shareholding in BFF Luxembourg was transferred to BFF PEI Limited Partnership ("**BFF Canada**") following the liquidator's resolution of 21 June 2016. Following the supervisory reports of 30 June 2016, the consolidation perimeter for the purposes of the CRR only includes our Group and BFF Luxembourg, as the entity at the top of the consolidation perimeter for prudential supervision purposes.

Share Capital

The table below sets out the shareholders of the Issuer, as of the date of this Prospectus, including each shareholder's approximate percentage shareholding:

Name	**Percentage of share capital**
BFF Luxembourg.	55.809
Cordusio Fiduciaria S.p.A	7.591
Public Float........	36.599
Total........	**100.000**

Stock option plan

On December 5, 2016, the extraordinary shareholders' meeting approved a stock option plan for employees and members of the corporate boards.

The plan provides for the assignment of a maximum of 8,960,000 options in three tranches, each of which gives the beneficiaries the right to subscribe to a newly-issued ordinary share or to purchase an ordinary share (with the regular payment of dividends and no nominal value) in our portfolio at the time the option is exercised (taking into account the number of fractional shares).

The plan provides for: (i) a maximum of 6,720,000 shares to be assigned in the first tranche (75% of total shares); (ii) a maximum of 2,240,000 shares to be assigned in the second tranche; and (iii) a maximum of 2,240,000 shares to be assigned in the third tranche.

As of 30 June 2017, option rights to the stock option plan were awarded in respect of the first tranche, corresponding to 3.75% of fully diluted share capital, or 6,720,000 shares.

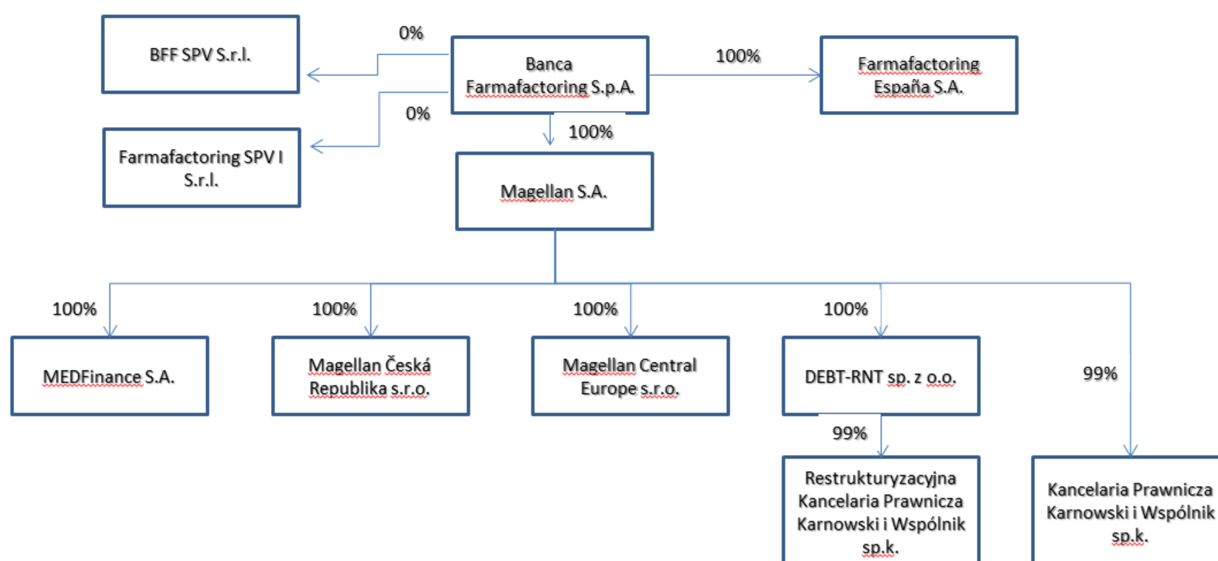
Subsidiaries

The Issuer, which is the parent company of the Group, holds 100% of the share capital of Farmafactoring España, 100% of the share capital of Magellan (the holding company of the Magellan Group) and exercise control over the special purpose entities Farmafactoring SPV I S.r.l. ("**Farmafactoring SPV**") and BFF SPV.

The business of Farmafactoring SPV and BFF SPV is focused on securitisation transactions and its exclusive purpose is to realize one or more securitisation transactions on receivables pursuant to Article 3 of the Law No. 130 of 1999. Although we are not shareholders of Farmafactoring SPV and BFF SPV, they must be consolidated into our financial statements in compliance with the "*SIC-12 Consolidation-Special Purpose*

Entities" principle ("**SIC-12**"), elaborated by the Standing Interpretations Committee. Under SIC-12, an entity must consolidate a company when, in substance, the entity controls the company, even in the absence of an ownership interest.

The structure of our Group is as follows:



As of the date of this Prospectus, we are the parent company of the following companies:

Company	Registered office	Share capital	Shareholding
Farmafactoring España S.A.	Calle Luchana No. 23 28010 Madrid (Spain)	€6,100,000.00	100%
Magellan S.A.	Al. Marszałka Jòzefa Piłsudskiego 7690-330 Łódź	PLN2,016,011.10	100%
Farmafactoring SPV I S.r.l.	Via Statuto No. 10 20121 Milan (Italy)	€10,000.00	0%
BFF SPV S.r.l..	Via Alessandro Pestalozza, 12/14, 20131 Milan (Italy)	€10,000.00	0%

Description of Our Business Activities by Service Segments

We are an independent operator in the Credit Collection Management and Non-Recourse Factoring segments with reference to our Traditional Activities. Our clients are primarily composed of large companies, including international multinationals that provide their products and/or services in Italy, Spain, Portugal and Greece to national healthcare service authorities ("**Public Healthcare Debtors**"), and to private entities (including religious organizations) active in the healthcare sector ("**Other Debtors**") and public administrations ("**Public Administration Debtors**" and, jointly with Public Healthcare Debtors and Other Debtors, "**Debtors**").

We benefit from having over thirty years of experience and being able to offer a range of services in the markets in which we operate, as well as from having an efficient platform which is integrated with some of the platforms of our key clients. This allows us to position ourselves as a partner in the management and disposal of receivables due by the public sector.

We have historically provided services to clients active in the healthcare sector. The majority of our clients are long-standing: as of 31 December 2016, our top 10 clients had been our clients for more than eighteen years (almost ten years if we refer to our Non-Recourse Factoring business) and accounted for approximately 46% of receivables intermediated in 2016 with regard to Traditional Activities (both Non-Recourse Factoring and Credit Collection Management services). Concerning recurring non-recourse factoring clients defined as clients who concluded at least one transaction per year between 2014 and 2016, we recorded a CAGR of 6% in the period 2008-2016 in terms of purchases with recurring clients representing on average more than 70% of total purchases with regard to data of the financial year of 2016.

In 2016, in the context of our Credit Collection Management and Non-Recourse Factoring activities, we managed €4.3 million invoices. The following table provides a summary of the main characteristics of our Credit Collection Management and Non-Recourse Factoring activities.

	Credit Collection Management	Non-Recourse Factoring
Activity	Management of the process of recovery and collection of receivables due to Suppliers, including the management of administrative issues and debt collection activities, both in court and out of court, and of other ancillary services including electronic invoicing and credit certification	Outright purchase from Suppliers of the principal amount (including late payment interest and ancillary income) of receivables mainly due from debtors of the national healthcare system and/or public administration agencies (including tax receivables from the Italian tax authorities), acquiring full ownership thereof, as well as the risk of non-payment. The receivables are generally overdue rand already bear late payment interest
Revenues	Our income primarily derives from: (i) loading fee, and (ii) collection commission	Our income primarily derives from: (i) maturity commission, and (ii) late payment interest
Credit Risk	Non-payment of commission	Non-collection of principal and/or ancillary income
Costs	The client bears all legal management costs on behalf of third parties	We bear all management costs
2016 Receivables	€2,876 billion	€3,003 billion

Due to the diversification of our funding resources and the reinforcement of our sales organization, our Non-Recourse Factoring segment relating to the Traditional Activities remained slightly stable across the Group in 2016 with receivables in outstanding and purchases remaining stable respectively at about €2 billion (i.e. increasing by €8 million) and €3 billion (i.e. increasing by €17 million), while volumes from our Credit Collection Management and Non-Recourse Factoring segments slightly reduced in total by about 6% from €6.3 billion in 2015 to €5.9 billion in 2016.

In Italy, we recorded a significant growth in 2015, with purchased receivables increasing by 32% compared to the previous year, notwithstanding the effects of the introduction of the Split Payment Mechanism legislation and taking into account an average VAT rate of 15%.

As of 31 December 2015 and 2016, we carried out our business with, respectively, 181 and 262 clients and with 5,956 and 6,879 debtors.

Credit Collection Management

We offer Credit Collection Management services in Italy and Spain that are tailored to the difficulties and timescales of our clients' collection processes of invoices issued to their Debtors. By performing all of the administrative and legal activities needed to carry out the collection of receivables, the service we offer allows clients to significantly reduce their internal credit management and recovery costs. In particular: (i) the efficiency of the IT platform we use to handle the different phases of the receivables management and disposal process allows us to fully interact with both clients and Debtors throughout the process, and (ii) the specialised experience which the professionals working for us have gained in this field allows clients to benefit from a better performance in terms of payment of the receivables and recovery times.

Our relationship with clients is based on management contracts which require clients to issue a mandate for the recovery of receivables and to delegate powers to us, meaning that we are legally authorized to act on their behalf and to act as a proxy for the collection of receivables under management.

In the context of our Credit Collection Management activities, clients maintain the risk of insolvency of, and the risk of late payment by, Debtors, since we only manage and do not acquire receivables. Therefore, in carrying out these activities on behalf of third parties we are only exposed to the risk of non-payment of collection and/or management commission by the client. For these purposes, we are not required to grant funding, since there is no cash payment to clients, and we only provide receivables management and collection services (including late payment interest).

The revenue generated by our Credit Collection Management activities primarily derives from the management commission paid by clients. Management commission consists of a fee paid when the receivables are accepted and an additional commission paid at the time of collection as recognition of the successful outcome of the management activity.

Our Credit Collection Management activity is strategically important, since clients often turn to us for the management of their receivables and, thanks to our clients' loyalty in this field, we are often also able to generate Non-Recourse Factoring business with the same clients.

The following table shows the receivables and commission income that we have generated through our Credit Collection Management activities for the years ended 31 December 2016 and 2015, respectively.

	As of 31 December 2016	**As of 31 December 2015**
	(in € millions)	
Receivables (Credit Collection Management)	2.9	3.3
Commission income	7.8	8.4
Of which commissions for non-recourse	4.5	4.5
Of which commissions for collection	2.6	2.7
Of which other expenses and commissions	0.7	1.2

The decrease in commission income is due to to the following factors: (i) the Italian law no. 190 of 23 December 2014 ("*Legge di Stabilità 2015*") introduced certain amendments to the VAT regime on transactions carried out with public entities and debtors of the INHS and of PA, with subsequent negative effects on management volumes; (ii) as of the start of 2015, some clients benefited from a conversion of income related to non-recourse receivables assignment transactions, with a subsequent decrease in commission income; and (iii) over the last two years, some competitors have entered the credit management market and hindered the growth of the Group's Credit Collection Management.

Non-Recourse Factoring

As part of our Non-Recourse Factoring business, we acquire outright the receivables due to our clients from their debtors. The purchase of Non-Recourse Factoring receivables allows our clients to deconsolidate the transferred receivables in accordance with the IAS and US GAAP standards applicable to the transfer of receivables. The receivables are transferred from the relevant client's financial statements to our financial statements, and we assume their full ownership, including any cost and benefit connected therewith, and, in particular, any late payment interest accruing from the due date of the receivables and other ancillary income. In the event of non-existence of the receivables, we have the right to terminate the transfer and the client must immediately repurchase the receivables at par and return any amounts paid by us.

The purchase price is normally equal to the nominal value of the receivable net of a commission, calculated by us on the basis of a prior assessment of, among other things, the relevant credit risk (including an assessment of the assignor, the Debtor and the timing for payment).

The purchase price of each receivable largely depends on the expected payment date. Therefore, we carefully monitor the DSOs of each Debtor and input data into our historical database which contains the payment times of all invoices managed during the course of our activities (on behalf of third parties and on our own behalf). This database is used to estimate the collection times of receivables recorded in our financial statements (in order to manage our liquidity) and to determine the price of new receivables during the purchase phase in our Non-Recourse Factoring activities.

Once purchased by us or Farmafactoring España, receivables are managed by us on our own behalf for their entire remaining life cycle, until the principal and the recovered late payment interests are collected.

Our revenues from our Non-Recourse Factoring activities mainly derive from the following:

- *Fixed commission* ("**Maturity Commission**"). We deduct Maturity Commission from the purchase price and calculate it as a percentage of the nominal value of each receivable, as determined on a case by case basis at our discretion at the time of purchase on the basis of, among other things: (i) past payment trends of Debtors owing the transferred receivables; (ii) the quality of the portfolio transferred by the client; and (iii) financial expenses (current and future) that we must incur to finance the purchase of receivables.

- *Late payment interest*. Debtors pay late payment interest at the ECB base rate pursuant to Directive 2011/7/EU, as applied in the various jurisdictions in which we operate, which sets out the late payment interest rate applicable in the event of late payment in commercial transactions between

companies or between companies and the public administration. Interest is generally collected once the nominal value of the receivable has been repaid.

The recognition of Maturity Commissions and late payment interest in our income statement reflects our income resulting from the application of the amortized cost method to the measurement of purchased non-recourse receivables, in accordance with IAS 39, based on the present value of estimated future cash flows (TIR ("*tasso interno di rendimento*") of the transaction).

At the time of purchasing of a receivable, it is registered in the balance sheet in accordance with the IAS principles at its original purchase price.

On a monthly basis the IAS value of the receivable is calculated considering the expectations of capital collection, net of the possible collections already received, late payment interests accrued until the date of evaluation and the interest accruing until the entire collection of the capital.

The IAS value derives from the calculation of the present value of these future cash flows, on the basis of the TIR ("*tasso interno di rendimento*") of the transaction valued at time of purchase. The spread between the value calculated in relation to the principal amount is the adjustment to be made to the balance sheet. The comparison between this adjustment and that calculated on the prior month as of the evaluation date constitutes the amount of interest income to be included in the income statement.

When the capital is entirely collected, the amortized cost applies only to the late payment interest yet to be collected. The spread between the adjustment value to the assets calculated on the reference month and that calculated on the foregoing month represents the impact on income statement of the interest part alone.

Any capital gains or losses incurred in connection with collection of interest payments shall be determined with reference to the recovery amount that was initially estimated.

Late payment interest constitutes a significant income component for us. For the year ended 31 December 2016, we recorded in our income statement €163.2 million in Maturity Commissions and late payment interest. The late payment interest recorded in our income statement and balance sheet is just a part of all late payment interest accrued and legally due to us in the course of our Non-Recourse Factoring business. We estimate the recoverability percentage of late payment interest legally due to be equal to 40% of its nominal value at the estimated collection date (conservatively fixed at 1800 days) and, in the event of higher recoverability percentages (as recorded in the past), we record the difference as a capital gain at the time of collection. Starting from 1 January 2017 our management, on the basis of our historical data on collected amounts and timing for collection, and in relation to the portfolio of receivables managed by the Issuer and Farmafactoring España only, has resolved to raise the percentage of the estimated amount of late payment interest that will be collected up to 45%.

The amount of late payment interest accrued and legally due to us, but not yet collected, is recorded in the late payment interest fund, which at Group level was equal to €547 million and €460 million, respectively, for the years ended 31 December 2016 and 2015. As of 31 December 2016, part of such late payment interest fund, equal to €186 million, has already been recognized in our income statement, either in the current or in the previous years (€151 million as of 31 December 2015).

The amounts of late payment interest which have not been reflected in our income statement for the years ended 31 December 2015 and 2016 (equal to, respectively, €309 million and €361million) represent a possible source of future income within the Group's loan portfolio, which, wherever it is carried out, even in part, could reinforce the Group's capital structure.

The table below shows our purchased non-recourse receivables and interest income generated by us, with reference to the Traditional Activities, in the context of our Non-Recourse Factoring activities for the years ended 31 December 2016 and 2015, respectively.

	As of 31 December 2016	As of 31 December 2015
	(in € millions)	
Receivables (Non-Recourse Purchases)	3,003	2,986
Interest income	163.2	154.5

The table below shows, with reference to the Traditional Activities, the new purchases in our Credit Collection Management and Non-Recourse Factoring segments during the years ended 31 December 2016 and 2015.

	For the years ended 31 December			
	2016		2015	
	amount	% total	amount	% total
	(in € millions except percentages)			
Credit Collection Management	2,876	48.1%	3,301	51.2%
Non-Recourse Factoring	3,003	50.2%	2,986	46.3%

The table below shows, with reference to the Traditional Activities, the collections we made in our Credit Collection Management and Non-Recourse Factoring segments during the years ended 31 December 2016 and 2015.

	For the years ended 31 December			
	2016		2015	
	amount	% total	amount	% total
	(in € millions except percentages)			
Credit Collection Management	3,290	52.3%	2,995	54.2%
Non-Recourse Factoring	2,995	47.7%	2,527	45.8%

The tables below show, with reference to the Traditional Activities, the outstanding items under management in our Credit Collection Management and Non-Recourse Factoring segments during the years ended 31 December 2016 and 2015, as well as our total interest and similar income during the same periods, along with the evolution by quarter for the years 2016 and 2015 of the outstanding.

	For the years ended 31 December			
	2016		2015	
	amount	% total	amount	% total
	(in € millions except percentages)			
Credit Collection Management	-	0.0%	-	0.0%
Non-Recourse Factoring	2,017	100.0%	2,009	100.0%

	For the years ended 31 December	
	2016	2015
	(in € millions)	
Q1	1,783	1,229
Q2	1,815	1,377
Q3	1,694	1,581
Q4	2,017	2,009
Q4 (including Magellan)	2,464	2,410

The tables below show, with reference to the Traditional Activities, the total amount of our Outstanding Receivables in the context of our Non-Recourse Factoring activities for the years ended 31 December 2016 and 2015, respectively, divided by country.

	As of 31December 2016	As of 31 December 2015
	(in € billions)	
Outstanding Non-Recourse Factoring Receivables	**2.0**	**2.0**
Italy	1.8	1.8
Spain	0.1	0.2
Portugal	0.0	0.0

	For the year ended 31 December 2016
	(% total)
Italy	75%
Spain and Portugal	7%
Poland	14%
Slovakia	3%

As of 31 December 2016, we have received refusals to accept single assignments from 437 final debtors (equal to 21% of our total outstanding receivables, for a countervalue of €387.3 million) and we have collected €47.6 million as of 31 December 2016, equal to 12% of outstanding receivables.

Furthermore, the outstanding receivables purchased from 2013 to 2015 which were challenged by final debtors in relation to our non-recourse factoring business, and related to claims currently pending, as of 31 December 2016 amount to €50 million and correspond to 2.5% of the non-recourse capital exposure of the Issuer.

Collection of online deposits (“***Conto Facto***” ***and*** “***Cuenta Facto***”)

After obtaining a banking license in 2013, in order to further diversify our sources of funding, in September 2014 we launched the online term deposit account named “*Conto Facto*” on the Italian market. In August 2015, we started performing the collection of online deposits also in Spain through our Spanish branch, by launching the online term deposit account named “*Cuenta Facto*”. In June 2016, we launched the collection of online deposits in Germany through the online platform *Welstparen.de*, using our Spanish branch under the freedom to provide services. We perform the collection of savings for both retail and corporate customers in Italy and Spain through these online fixed-rate term deposit accounts.

“*Conto Facto*” and “*Cuenta Facto*” allow us to: (i) improve the funding of our core business through a further diversification of our funding resources, (ii) optimize the structure and cost of our funding, (iii) simplify product management, as a result of the reduced activity compared to other forms of direct deposits, such as current accounts, (iv) achieve greater liquidity control and improvement of the relevant indicators, and (v) by raising fixed rate deposits, reduce interest rates risk and, consequently, the absorption of capital and/or the cost of derivatives hedging the risks connected with our receivables portfolio. Our continued ability to offer such products may affect our funding levels. See “*Risk Factors—Our dependence on access to the capital markets to maintain certain levels of liquidity and to obtain long-term financing could have a material adverse effect on our business, financial condition, or results of operation*.”

Once our online term deposit accounts are opened, clients can choose to deposit their savings for a minimum of 3 months to a maximum of 36 months in Italy and 60 months in Spain (36 months for Spanish corporate customers). In the Italian jurisdiction, customers may also choose between: (i) “*Vincolo Facto*”, where the amounts deposited will be tied up for the entire term and may not be withdrawn sooner, and (ii) “*Vincolo Facto Plus*”, where customers are allowed to withdraw deposited amounts sooner than the term. In order to withdraw the sums, customers must submit a release request through our website or a different channel made available by us, for an amount which cannot be higher than the maximum amount or lower than the minimum amount specified in the applicable information sheet. The release will be effective on the date on which we receive the request, and we will make the relevant sums available from the day following receipt of the request. In the Spanish and German jurisdictions, customers may choose only “*Vincoli*” corresponding to “*Vincolo Facto*”, where the amounts deposited will be tied up for the entire term and may not be withdrawn sooner.

Customers who are classified as “consumers” may exercise the right of withdrawal, without penalty, within 14 days of the date of the execution of the agreement (the “cooling-off period”). During this period, the withdrawal will become effective upon receipt of notice of withdrawal from the relevant customer (to be sent via registered post). We will subsequently return the sums deposited without interest.

Customers may, on expiry of the agreed term, choose to leave the sums in the accounts and benefit from the payment of interest by us calculated on the basis of a predetermined rate.

After having chosen between the above mentioned “*Vincolo Facto*” and “*Vincolo Facto Plus*”, customers may withdraw from the contract at any time, without having to pay any penalties or expenses, by giving notice of

withdrawal by registered post or via the personal area of the website. If the deposits are tied up for a given period, the withdrawal from the agreement will become effective upon expiry of the term, and, if not, upon receipt of the withdrawal notice. The sums will become available within 15 days of when the withdrawal from the agreement becomes effective.

We are entitled to withdraw from the agreement at any time by giving two months' prior written notice to the customer, except where we terminate for just cause in which case the withdrawal will be immediately effective. If deposits are tied up for a given period, the withdrawal will be effective from the term expiry date.

As of 31 December 2016 in Italy, Spain and Germany we had 14,118 "*Conto Facto*" and "*Cuenta Facto*" deposits. Our deposits totaled €822.4 million, while average deposits per customer were equal to €58.3 thousand.

Magellan

Business of Magellan

Magellan operates in a niche market and offers non-standard products and services in the following segments: (i) overdue debt position financing and debt management, (ii) liquidity management and (iii) investment and equipment financing. Magellan has long term relationships with clients in Eastern Europe, and especially in Poland, including certain multinational groups in the healthcare sector to whom we already provide services in Italy, Spain and Portugal, and is their reference partner for alternative financing solutions.

Overdue debt position financing and debt management

Magellan cooperates with both parties of the supply or services agreements on the healthcare market, namely suppliers and buyers. On the one hand, Magellan offers to suppliers factoring (receivables assignment) and factoring-like products and clears any overdue debt position. On the other hand, Magellan grants medium and long-term loans to public healthcare providers to allow them to pay any overdue debt.

Non-recourse factoring

Magellan purchases overdue receivables from suppliers of independent public healthcare centres controlled by public authorities ("**Centres** ") and/or non-public healthcare centres ("**Private Hospitals**", and together with Centres, "**Healthcare Providers**"). Where receivables are due from Centres, the assignment contracts are conditional on the Centre's founding body's consent to the assignment.

Magellan is in charge of financing the receivables and carrying out management and collection services. In addition, Magellan normally carries out receivables assignment on a non-recourse basis and will assume the risk of non-payment by the debtor. Magellan allows customers to extend their commercial loan beyond the due date of the invoice.

The profit of Magellan consists in commission or a discount on the purchase price of the receivables, and also in interest accruing on the receivables.

Factoring-like products

Magellan offers factoring-like products where it is not possible to obtain the consent of a Centre's founding body.

Magellan provides financing to suppliers of Centres and/or Private Hospitals, and manages their receivables in return for a commission. The "professional proxy" (i.e. the legal office in Magellan's group) collects the receivables directly from Healthcare Providers on behalf of suppliers.

Magellan's group assumes all risks connected with the receivables, as well as the obligation to finance them, and must pay the relevant supplier even if it fails to recover the receivables. After acquiring the receivables, Magellan will enter into an agreement with the original debtor (i.e. the Healthcare Provider) setting out the terms and deadlines for repayment.

Magellan's profit consists in the commission due from the supplier and interest on the receivables due from the Healthcare Provider pursuant to the agreement entered into with them.

Debt restructuring and acquisition

Magellan undertakes to repay a Healthcare Provider's due and payable debt vis-à-vis its creditor(s). In return, the Healthcare Provider agrees that Magellan will become its creditor and that the interest under the relevant debt will be capitalized and undertakes to repay the debt (with interest) in instalments, and to pay a restructuring fee.

If the contract is entered into with a Centre, the Centre is required to confirm that it has obtained its founding body's consent to the change of creditor.

Refinancing of liabilities

At the request of a buyer (e.g a hospital), Magellan repays the buyer's liabilities vis-à-vis a supplier. Following repayment of the liabilities, Magellan becomes the buyer's creditor and acquires all of the rights in the receivables. Magellan's profit consists in the commission received from the buyer, as well as interest.

Long and medium-term loans

Magellan grants loans (in tranches) to Centres, Private Hospitals and municipalities. Borrowers undertake to repay the loan together with interest in instalments. Magellan also receives a commission.

Liquidity management

Magellan offers liquidity management services to operators on the healthcare and local government units ("**LGU**") markets to cover their short-term liquidity problems or secure their short-term cash positions.

Factoring involving receivables which have not yet matured for suppliers of LGU

Suppliers of LGU transfer receivables which have not yet matured to Magellan pursuant to an assignment contract.

The profit of Magellan consists in commission or a discount on the purchase price of the receivables.

Revolving loans for hospitals

Magellan grants revolving loans (with a total limit and limit per tranche, tranches paid on demand and repaid within agreed deadlines) and overdraft loans (with a total limit which can be freely drawn and repaid during the loan period) to Healthcare Providers, LGUs, or other private entities (including suppliers), and borrowers undertake to repay the loans on agreed terms. In certain cases, in addition to interest/commission on drawn tranches, Magellan is also entitled to a commission on execution of the loan agreement.

Consortium for suppliers of Centres

Magellan enters into framework contracts with suppliers of Centres, pursuant to which the parties undertake to cooperate in public procurement proceedings announced by Centres, including in the context of a consortium (represented either by Magellan or by a supplier *vis à vis* the Centre).

Where the supplier is entitled to receive all or part of a payment from the Centre:

- the supplier declares to the Centre that it remits all payments due to it from the Centre to Magellan (and the Centre is required to accept the remittance) and that such payments made to Magellan will satisfy the supplier's receivables against the Centre; or
- the supplier undertakes to forward all payments received to Magellan.

In its judgment on 2 June 2016, the Polish Supreme Court ruled that a consortium agreement should only be agreed upon for the mutual execution of the parties obligation's and not for one of the parties to acquire rights to the receivables. The judgment points out that such agreements may be in violation of Article 54 of the Act on Healthcare Activities, therefore making the transfer of receivables invalid.

Sales of promissory notes

Magellan also finances Centres through promissory notes. Centres issue promissory notes for certain amounts, and Magellan acquires these at a certain price. If Magellan has existing receivables due from the Centre, it sets them off against the Centre's receivable due from Magellan for the issue of a promissory note.

Guarantees

Magellan offers products collectively referred to as "Guarantees". Through these Guarantees, Magellan agrees to secure or pay suppliers' receivables due from Centres. As a result of paying a Centre's debt to suppliers, by law Magellan acquires the supplier's receivables against the Centre.

On 9 January 2015, the Polish Supreme Court held in one case that the Guarantee product was invalid on the grounds that the aim of the Guarantee was to change the Centre's creditor from the supplier in question to Magellan and therefore the transfer of the receivable to Magellan itself was invalidated; this was ruled to be in contravention of Article 54 of the Act on Healthcare Activities. After the Polish Supreme Court's ruling, the legal status of the receivable reverted to the original owner and therefore, such supplier's receivable against the Centre legally remains unpaid because Magellan's payment under the Guarantee is no longer recognized. Under arrangements made between Magellan and the supplier in question, the supplier's receivable will be used to satisfy Magellan's claim against the supplier for the return of payment originally made under the Guarantee.

Magellan filed motions in 2015 with a Polish Constitutional Tribunal regarding the constitutionality of Article 54 of the Act on Healthcare Activities. However, considering the legal uncertainties regarding the Article in general, particularly following the unfavourable ruling mentioned above, uniform Polish Supreme Court practice and the uncertainties regarding claims to the Polish Constitutional Tribunal, Magellan has had to reformulate this product so that it is permissible under Article 54 of the Act on Healthcare Activities.

Ancillary services

Magellan also offers ancillary services including recourse factoring for small and medium-sized enterprises.

Investment and equipment financing

The investments and equipment financing of healthcare providers is carried out by Magellan's wholly owned subsidiary MEDFinance.

MEDFinance closely cooperates with suppliers or sellers on the healthcare market and helps healthcare providers (both public and private) finance their development (equipment and infrastructure). In this context, MEDFinance offers the following services: (i) instalment sales; (ii) leasing; (iii) consortium (with equipment suppliers and infrastructure contractors) and (iv) sales and parallel loans.

Acquisition of Magellan

On 18 December 2015 we purchased 100% of the share capital of a Polish-registered vehicle Mediona spółka z ograniczoną odpowiedzialnością, whose registered office is in Warsaw, Poland ("**Mediona**"), from the company TMF Poland sp. zoo., a Polish company belonging to the TMF Group, which provides, among other things, corporate secretarial services, accounting and tax assistance, and support to the management of personnel of Magellan, for an amount of PLN 11,495.60.

On 8 January 2016, Mediona, announced to the market and the Polish Financial Market Supervisory Authority its intention to launch the Magellan acquisition. Magellan is a Polish joint stock company operating in the financial services market for the health sector and public sector and has been listed on the Warsaw Stock Exchange from 2007 to 6 December 2016. Its registered office is in Łódź (Poland). Magellan has a share capital of PLN 2,016,011.10, consisting of 6,720,037 non-preferred shares with a par value of PLN 0.30 each. Magellan is a non-bank financial institution and, accordingly, is not subject to the Polish regulations applicable to banks. The closing price of the Magellan shares was equal to PLN 57.98 on the day prior to the launch of the tender offer (*i.e.* 7 January 2016), corresponding to a PLN 389,627,745 capitalization (equal to €89,832,573 according to the exchange rate applicable on the same day). Furthermore, the volume weighted average price relating to the three months prior to the launch was equal to PLN 55.91 (as indicated in the tender offer document).

Magellan is the parent company of the Magellan Group, which comprises a group of subsidiaries incorporated in Poland, the Czech Republic and Slovakia. The acquisition of the Magellan Group falls within our commercial and geographical diversification strategy which, with the internal growth of purchased receivables, has led to a substantial increase of profits, with significant impacts on capital ratios, which decreased in the first nine months of 2016 by more than 7 percentage points as an effect of the acquisition, and on business structures managing the grown operational complexity.

In May 2016, the Bank of Italy authorized us to acquire Magellan and the tender offer in respect of all the share capital of Magellan was finalised. The Magellan Transaction was completed in June 2016.

On 5 July 2016, Mediona appointed the new Supervisory Board of Magellan.

On 30 September 2016 Magellan's shareholders' meeting resolved to proceed with the delisting of shares issued by Magellan, and consequently on 1 December 2016 the Warsaw Stock Exchange issued a resolution on delisting of Magellan's shares from the main market on the Warsaw Stock Exchange with an effective date as of 6 December 2016.

On 30 November 2016 the extraordinary shareholders' meeting of Magellan resolved upon the merger by incorporation between Magellan (as acquiring company) and Mediona (as target company). On 16 December 2016, the registry court registered a merger between Mediona and Magellan, and Banca Farmafactoring became a direct shareholder of Magellan holding 6,720,037 shares of Magellan, corresponding to 100% votes in Magellan. In the course of the transaction, the Issuer also purchased an amount of own shares held by Magellan equal to PLN 23 million.

Future plans in respect of Magellan

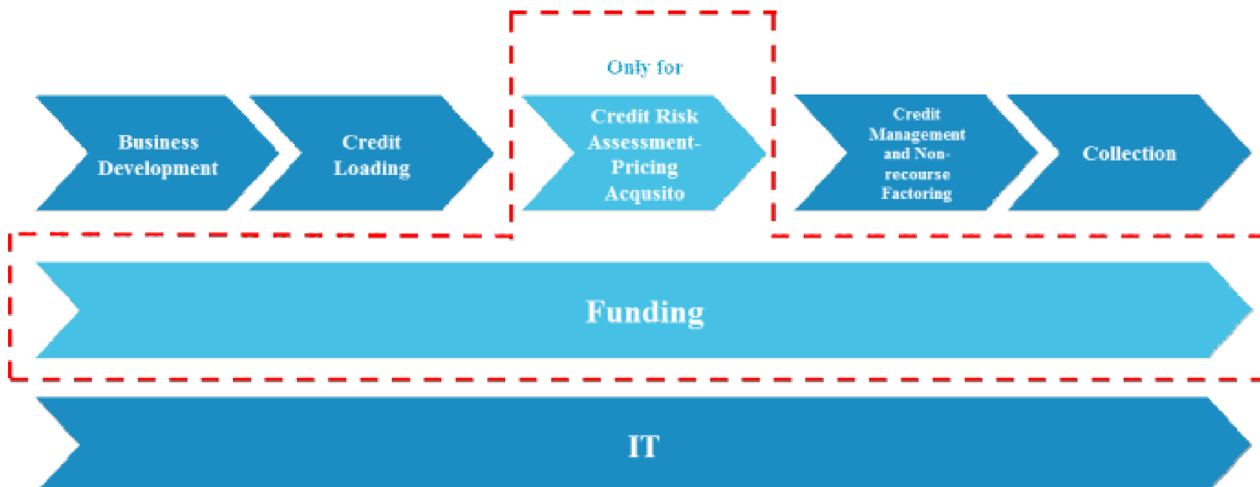
We intend to support Magellan to expand the services offered to its and our customers and to reduce Magellan's cost of funding. Through the acquisition of Magellan, we aim to continue its growth strategy by: (i) taking advantage of cross selling opportunities, (ii) expanding its business in three fast-growing markets (Poland, Czech Republic and Slovakia), (iii) increase its customer base and (iv) consider the expansion of its business in other adjacent markets in Central Eastern Europe.

Our Traditional Activities and Business Model

We operate according to a single organizational model across our geographies in Italy, Spain, Portugal and Greece. Our traditional business model is also largely uniform, where our Credit Collection Management activities differ from our Non-Recourse Factoring activities only by virtue of certain activities which are specific to Non-Recourse Factoring.

Our organizational model is set out in the following chart, which shows the essential components of the value chain and the integration of the value chain with: (i) a highly technological information system that manages most of the process, and (ii) the funding activity which is functional to our Non-Recourse Factoring activities.

The following chart shows the various stages of our value chain:



The value chain of our Credit Collection Management and Non-Recourse Factoring activities is composed of the following main stages: business development; credit loading; credit risk assessment-pricing-purchase (for Non-Recourse Factoring only); credit collection management; and collection. The entire value chain is supported by our information system, and for Non-Recourse Factoring activities only, our funding.

Business Development

Our business development activity targets both existing and potential new clients.

We carry our business development in respect of our existing clients initially by taking advantage of the following cross-selling opportunities: (i) geographical, by offering clients the same services in different geographical areas where both we and our clients operate, and (ii) product-related, by offering Non-Recourse Factoring services to clients who already use our Credit Collection Management services. Moreover, we develop business with existing clients by offering a range of services which are constantly updated and tailored to the specific needs of each client.

In order to acquire new clients by expanding our services into new business segments, we have strengthened our commercial structure to support such expansion (increasing our salespeople from 3 in 2013 to 12 in 2016 in Italy, as well as to 6 in Spain) and in Italy and in Spain we have entered into distribution agreements with other financial institutions, brokers, other factors, insurers and reinsurers, which generated volumes of new receivables on these markets totalling €88.7 million and €15.2 million, respectively, for the year ended 31 December 2016.

In particular, as of 31 December 2016, in Italy we were party to 19 agreements with brokers and 14 agreements with financial institutions (with a total of 2,404 branches) which generated volumes of €88.7 million in total. In Spain we generated volumes equal to €15.2 million through alternative distribution channels (brokers).

On the Italian market, our commercial relationship with clients has traditionally arisen from a contract for the provision of Credit Collection Management services pursuant to which the client issues in our favour a mandate for the management, recovery and collection of one or more receivables due from Debtors. Thanks to our knowledge of our clients, their specific financial needs and the types of receivables due from Debtors, we are able to extend our relationship arising from our Credit Collection Management activity to also encompass our Non-Recourse Factoring activities.

Our clients usually execute, in addition to the contract for the provision of Credit Collection Management services, a framework agreement relating to our Non-Recourse Factoring services, which does not normally impose any obligations on us to acquire the receivables under management, and instead regulates our relationship with clients on an ongoing basis in the event that all or part of the receivables are assigned to us.

Less frequently, clients will only require either our Credit Collection Management services or our Non-Recourse Factoring services.

Any client who receives our Credit Collection Management services and does not require our Non-Recourse Factoring services, will normally only enter into a management contract and a frame agreement with us.

In the context of our Non-Recourse Factoring activities, we establish two types of relationship with our clients:

- *One shot*: the contract refers to a specific purchase transaction and terminates upon payment of the last invoice purchased.
- *Ongoing*: if the client needs to assign receivables on a regular basis, the relevant Non-Recourse Factoring contract will not refer to a specific transaction and will instead regulate the relationship between the parties on an ongoing basis, also in respect of any subsequent transfer of receivables carried out by the same parties, without having to enter into any additional *ad hoc* agreements. The agreements will come into effect upon the acceptance of the purchase offer and will terminate upon payment of the last invoice purchased.

We constantly monitor our client satisfaction both (i) directly, through our sales network, and (ii) since 2007 indirectly, by appointing independent third party experts to carry out customer satisfaction surveys.

Credit Loading

At the beginning of our relationship, a client sends us the load flow of receivables to be transferred. Subsequently, the invoices relating to such receivables are loaded onto our factoring system (the "**Factoring System**").

The Factoring System verifies the accuracy of the documentation received and reports any anomalies to be corrected. Therefore, already during the credit loading phase, we are able to proceed with the client to verify the accuracy of the information and documents received.

Following completion of the credit loading stage, we manage and update our accounting ledgers through our Factoring System.

Non-Recourse Factoring: Credit Risk Assessment-Pricing-Purchase

Our business model contemplates, in respect of our Non-Recourse Factoring business only, a phase that entails credit risk assessment, pricing and credit purchase activities, as described in more detail below:

Credit Risk Assessment

We manage the credit risk of Debtors (*i.e.* the risk of insolvency of assigned debtors, which mainly include entities belonging to the national healthcare services and public administration sectors) as well as the credit risk of assignors (*i.e.* the risk connected with the existence and/or with the value of transferred receivables) in accordance with the applicable regulation (the "**Credit Regulation**"), which describes the technical rules and determines the organizational and control safeguards.

This activity comprises the following phases, the outcome of which must be successful before we can proceed with the purchase offer:

(i) Preliminary assessment of the potential assignor;

(ii) Selection of the eligible Debtors;

(iii) Credit risk assessment.

Pricing

Following the risk assessment phase, we set the price of the receivables to be transferred to us, which we then propose to each client in the context of our Non-Recourse Factoring business.

During this process, we analyse the portfolios to be acquired on the basis of: (i) the assessment made by our business units responsible for assessing the quality of our clients and assigned Debtors, and (ii) the payment history contained in our database.

We pay particular attention to the DSOs of each entity belonging to the national healthcare services and public administration in order to correctly determine the pricing and value of the acquired receivables. For Italian Public Healthcare Debtors, we have detailed and extensive historical data on payment delays which we have recorded in thirty years of activity in respect of each ASL and AO.

Our pricing activities are carried out by a specialized business unit which has a reporting function which is separate from the commercial and credit management functions and relies on our Factoring System for any data flows received from other business units, including data relating to: (i) management costs, (ii) assessments on the timing for the collection of receivables, (iii) assessments on the quality of the credit exposure, and (iv) the availability and cost of funding.

With respect to receivables due from the tax authorities, we rely on due diligence activities carried out by external experts in order to estimate the timing for payment and assess their credit quality.

Thanks to this application we are able to determine the price of the receivables to be acquired through an objective assessment. More specifically, the price is generally equal to the nominal value of the receivable net of our commission fees, calculated as described above.

If the client accepts our pricing proposal, we send them our final proposal and, if this is accepted, we proceed with the purchase.

Purchase of receivables

The Group's purchasing of receivables is predominantly focused on overdue receivables; at the time of purchase, a new expiry date is set by us for our internal purposes that coincides with the expected collection time. The expired exposures therefore refer to receivables that hadn't yet been collected within the timeframe estimated when they were purchased.

Credit Portfolio Management

We carry out credit portfolio management in respect of receivables managed on behalf of third parties as well as receivables acquired and then managed on our own behalf, in the following areas:

Activities with respect to our clients

These activities involve: (i) the management of the administrative aspects of the credit management process, including the disclosure provided to clients in relation to potential issues in connection with the receivable, (ii) the identification and removal of any obstacles to payment (for example, where invoices are challenged by Debtors), and (iii) discussing with clients any actions that need to be taken with respect to Debtors, including returning receivables to clients, as contractually provided in the context of our Non-Recourse Factoring business.

We offer our clients tailored services such as electronic invoicing and the certification of receivables:

- *Electronic invoicing.* In Italy we offer our clients the option to use the "*SmartFlowPA*" platform to transmit electronic invoices directly to the Interchange System ("**SDI**") and to Debtors. This platform is specifically developed to make the transmission and monitoring easier and is managed directly by us internally. Through this platform we also offer clients the option to use systems for the storage of invoices in electronic format;

- *Certification of receivables.* This service, introduced in 2008 and re-launched in 2012 (falling within the scope of Italian Legislative Decree No. 35/2013 and Italian Legislative Decree No. 66/2014), is aimed at: (i) enabling the central government to quantify with a greater degree of certainty the amount of the public administration's debt, and (ii) assisting creditors in the management and collection of their receivables, also through the sale of certified receivables. We are able to follow the entire certification process on the platform for the certification of receivables (PCC).

The communication and exchange of documents and information between us and our clients can take place through *Farm@link,* our application platform that interfaces directly with the clients' information systems through the exchange of structured data flows.

In Portugal, where we operate under the freedom to provide services, we use two external credit management companies.

Activities with respect to debtors

These activities involve:

- *Verification of receivables.* We regularly carry out the verification of receivables, which involves: (i) checking the relevant documentation, (ii) sending payment reminders, (iii) reconciling ledgers, (iv) managing any dispute regarding the documentation relating to the receivables, (v) on-site visits at the Debtors' facilities, and (vi) preparing settlement proposals and/or repayment plans.

- *Monitoring.* We perform timely, efficient and constant monitoring of receivables through a dedicated reporting system analysing such receivables in the required level of detail. The Credit Regulation requires

the constant monitoring of the credit risk of each Debtor, in order to verify our maximum exposure to them and, in particular, to those deemed to be more risky.

- *Reminder*. We send reminders and define repayment plans in respect of principal amounts and late payment interest. The reminder is sent to Debtors through a document which is automatically generated by the Factoring System and highlights the overdue invoices for which a reminder has not yet been sent. Moreover, each year the Factoring System automatically generates for each Debtor a reminder document for all receivables not paid. In addition to these annual and intra-annual reminders, when necessary, we transmit additional *ad hoc* reminders by various means, for example by telephone, email or fax.

  (a) *Italy*: we send reminders to Debtors either directly or through Sovec, in both cases based on a specific and consolidated territorial competence.

  (b) *Spain*: Farmafactoring España sends reminders to Debtors directly through internal business units.

  (c) *Portugal*: at the end of each calendar year, we send payment reminders to all Debtors, providing a list of overdue invoices.

- *Settlement Agreements*. In order to collect receivables, we may enter into settlement agreements with Debtors pursuant to which we may grant payment extensions or agree to reduce the amount of late payment interest due from them. The procedure for starting the negotiations aimed at reaching a settlement differs depending on whether the receivables are managed on our own behalf, or on behalf of our clients. If we manage receivables acquired in the context of our Non-Recourse Factoring business on our own behalf, we can independently weigh up the advantages of starting negotiations with Debtors, whereas if we manage receivables on behalf of third parties, the settlement will take place on terms agreed upon with the client. Where the relevant receivable has been acquired by us, the settlement will take place on terms determined by us in advance for each position. Settlement agreements in respect of receivables acquired by us will never include waivers or discounts of the principal amount due.

- *Legal Actions*. We rely on our internal structure as well as (for Italy, Spain and Portugal) a network of professionals who deal with the following activities: (i) commencing legal proceedings, (ii) recording the proceedings in the Factoring System and continuously updating their status, (iii) identifying the best route from a legal perspective to collect the receivable, (iv) identifying the law firms to be involved, (v) monitoring the progress of the proceedings, and (vi) recording in the Factoring System the amounts collected in respect of principal, interest and legal expenses at the end of the proceedings. Even if we have already taken legal action against a Debtor, we may still reach a settlement with them.

Collection

We carry out this activity in the context of both our Credit Collection Management and Non-Recourse Factoring businesses. In particular, we: (i) manage and constantly update the tables containing the conditions relating to our relationship with assignor clients, (ii) reconcile the collections, and (iii) resolve outstanding amounts and process credited amounts in respect of receivables on a daily basis. In order to carry out this activity, we also use the "Expert" system, which supports the reconciliation of collections carried out in the context of our Non-Recourse Factoring business that remain within the Group and of those carried out in the context of our Credit Collection Management business that are credited to the client. Collection management also entails invoicing commission and/or expenses to clients.

As shown above, the development of the Group's credit collection business has allowed the Group to increase its revenue in different areas in which traditional business activities are carried out, as is represented in the table below, with express indication of the amount of revenues related to receivables whose recovery has been carried out via legal action (the "**Disputed Receivables**").

	As of 31 December	
	2016	**2015**
	(in € millions)	
Collected Amount	**6.285**	**5,522**
Italy	5.836	4,931
of which Disputed Receivables	-	-
Spain	408	537
of which Disputed Receivables	-	-
Portugal	40	54
of which Disputed Receivables	-	-
Collected Amount from Non-Recourse Factoring	**2.995**	**2,527**
Italy	2.564	1,956
of which Disputed Receivables	363	*345*
Spain	391	517
of which Disputed Receivables	-	-
Portugal	40	54
of which Disputed Receivables	7.7	*4*

Information System

With respect to our Traditional Activities, we manage our receivables through a specialized and efficient IT platform. We have developed internally, in part by integrating aspects with systems under user licenses, an *ad hoc* IT system which gives us a competitive advantage in the Southern European Markets in terms of (i) speed and efficiency of our activities and (ii) integration with information systems of creditors (or assignors) and debtors. This has allowed us over the years to reduce management costs and to benefit from economies of scale, also by using the so called "*Expert System*". For example, in the year ended 31 December 2016, we managed electronically with our IT platform almost €4.3 million invoices throughout Italy, Spain and Portugal.

In the last three years, we have made significant investments (as described in more detail below) to support our expansion in other European markets (Spain and Portugal) and the development of new products (such as term deposit accounts in Italy, Spain and Germany) which have additional efficiency margins before reaching full capacity.

The technological architecture of our systems is a competitive advantage of our business, both in terms of hardware and software, and was designed to ensure continuity in the provision of services, operational stability and the provision of high quality services for end users, including us internally and clients and Debtors externally. Our technological architecture also supports the activities of Farmafactoring España and our activities in Portugal.

Our application infrastructure relating to our factoring services and our "*Conto Facto*" term deposit account consists of: (i) proprietary or internally developed software systems for the management of factoring, (ii) third party systems acquired under user license for the management of all activities supporting our core business, and (iii) services performed by Consorzio Servizi Bancari Soc. Cons. a r. l. ("**CSE**") for the management of: our banking activities and, in particular, our "*Conto Facto*" term deposit account, the *Archivio Unico Informatico* ("**AUI**"), anti-money laundering, supervisory reports to the Bank of Italy, communications to the Italian taxation authorities (*Agenzia delle Entrate*), payments and data regarding clients and Debtors.

With the launch of our "*Cuenta Facto*" term deposit account in Spain in August 2015, we added to the above infrastructure the integrated services provided by the outsourcer *Rural Servicios Informatico Sociedad Civil* ("**RSI**").

A front end system interacts with the services provided by RSI for the management of banking activities and, in particular, of our "*Cuenta Facto*" term deposit account, the supervisory reports to the Bank of Spain, anti-money laundering and the management of payments.

We have developed our own "proprietary" software application systems for the management of our factoring activity mainly as a result of: (i) the absence on the market of Enterprise Resource Planning ("**ERP**") solutions for the management of our factoring activity and (ii) a unique business model characterized by features which are not compatible with standardized solutions. This decision still represents, today, one of our key competitive advantages in terms of customization and flexibility of the services provided and ability to adapt to the needs of the market.

The software application systems acquired under a "user license" and ICT banking services provided by CSE and RSI are fully integrated with the "proprietary" modules, assuring the efficiency of the operating processes and the mitigation of corporate operational risks. The integration is accomplished both through real time connections and through "batch" procedures, depending on operational needs.

Over the past five financial years, we have experienced certain minor information system malfunctions none of which caused a material business interruption, including, for example, (i) a breakdown in our storage mechanism, causing an unavailability to approximately half of our email accounts, which were restored to full working order within eight business hours following the breakdown; (ii) minor failures in our robotic library back-up which interrupted our backup/restore activities for short periods and (iii) breakdowns of four application systems for approximately two and three business hours, respectively, due to the zero day virus infecting our server briefly.

Our Markets

We provide Credit Collection Management services in Italy and Spain and Non-Recourse Factoring services in Italy, Spain, Portugal and, since September 2017, Greece.

Italy

In Italy, the receivables we manage and acquire as part of our Non-Recourse Factoring business are due mostly from: (i) the Italian national healthcare system composed of: local health authorities ("**ASLs**"), public hospital trusts ("**AOs**") or regional authorities (the "**Regions**" and, jointly with ASLs and AOs, the "**Italian Public Healthcare Debtors**"), (ii) the Italian public administration (the "**Italian Public Administration Debtors**") and, to a lesser extent, (iii) private entities (including religious organizations) active in the healthcare sector ("**Other Italian Debtors**").

As of 31 December 2015 and 2016, respectively, we had 123 and 192 customers in Italy and 5,741 and 6,688 debtors.

As of 31 December 2016, the amount of receivables deriving from our Non-Recourse Factoring business, in particular those owed by Italian Public Healthcare Debtors, was affected by the introduction of the Split Payment Mechanism regulation. See "*Risk Factors—Risks Related to Our Industry— The introduction of the so-called "split payment" of VAT for transactions involving public bodies could be extended and could impact the way we operate our business*".

The following table indicates the total amount of receivables and the amount of receivables purchased as part of our Non-Recourse Factoring activities for the years ended 31 December 2016 and 2015, divided by Italian Public Healthcare Debtors, Italian Public Administration Debtors, Italian Tax Authorities and Other Italian Debtors.

	As of 31 December		As of 31 December	
	2016	**%**	**2015**	**%**
	(in € millions, except percentages)			
Receivables	**5,477**	**100%**	**5,764**	**100%**
Italian Public Healthcare Debtors	4,473	82%	4,551	79%
Italian Public Administration Debtors	894	16%	1,102	19.1%
Italian Tax Authorities	135	2.4%	25	0.4%
Other Italian Debtors	110	2%	111	1.9%
Only Non-Recourse Factoring Receivables	**2,606**	**47.6%**	**2,481**	**43%**
Italian Public Healthcare Debtors	1,726	31.5%	1,513	26.2%
Italian Public Administration Debtors	826	15%	940	16.3%
Italian Tax Authorities	135	2.4%	25	0.4%
Other Italian Debtors	54	1%	29	0.5%

As part of our Credit Collection Management business, we are strategically positioned as an intermediary between clients and debtors in the healthcare and public administration sectors in Italy, and perform a high value-added service for clients considering the lengthy payment times.

In 2016, we intermediated in Italy (by providing both Non-Recourse Factoring and Credit Collection Management services) receivables due from the public sector (public healthcare and other public administrations) totalling €5.5 billion, of which 4.5 billion relate to receivables due from the Italian national healthcare system. In 2016, the forecasts for public finance included in the 2016 DEF estimate that the total expenditure on goods and services of the public sector in Italy will amount to €131.7 billion, of which €31.5 billion in relation to the Italian national healthcare system and €100.2 billion in relation to the Italian public administrations (*Source*: *Italian Ministry of Economy and Finance*).

Creditors of the Italian national healthcare system and public authority resort to our Credit Collection Management and Non-Recourse Factoring services as a result of, among other things, payment delays and other unique characteristics of the public sector. In particular, the administrative complexity of the public sector involves intricate management processes for the assessment and assignment of resources and is characterized by unique aspects of public spending financing methods.

Spain

In Spain, our activities are carried out by Farmafactoring España and mainly involve Non-Recourse Factoring and Credit Collection Management of receivables due to our clients from any Public Administration, including (i) the Spanish healthcare system, whose ultimate debtors are the 17 autonomous regions of Spain (each a "***Comunidad***" and, jointly, the "***Comunidades***"), and (ii) the central and regional public administration, whose ultimate debtors are the Spanish state or the *Comunidad*, as applicable.

As of 31 December 2015 and 2016, Farmafactoring España carried out its business with, respectively 49 and 59 customers and with 171 and 146 Debtors.

The table below indicates the amount of our receivables, with a specific indication of the receivables purchased as part of our Non-Recourse Factoring activities in Spain, for the years ended 31 December 2016 and 2015, respectively, divided by Spanish Public Healthcare Debtors, Spanish Public Administration Debtors and Other Spanish Debtors.

	As of 31 December		**As of 31 December**	
	2016	**%**	**2015**	**%**
	(in € millions, except percentages)			
Receivables	**351**	**100%**	**467**	**100%**
Spanish Public Healthcare Debtors	263	74.9%	412	88.2%
Spanish Public Administration Debtors	88	25.1%	55	11.8%
Other Debtors	-	0%	-	0%
Only Non-Recourse Factoring Receivables	**346**	**100%**	**450**	**96.4%**
Spanish Public Healthcare Debtors	257	74.2%	395	84.6%
Spanish Public Administration Debtors	88	25.4%	55	11.8%
Other Debtors	-	0%	-	0%

The Spanish healthcare services and public administration, similarly to Italy, are characterized by lengthy payment times and administrative complexities. This allows us to replicate in Spain the Credit Collection Management and Non-Recourse Factoring activities that we perform in Italy through Farmafactoring España, which is strategically positioned as an intermediary between Spanish clients and debtors.

In Spain, we use a receivable payment process aimed at ensuring *conformidad* (compliance/validation of the invoice) of the invoice with debtors' accounts: with regards to smaller clients with a higher credit risk, we generally carry out our Non-Recourse Factoring activities only if there is *conformidad*, which confirms the existence of the receivable and eliminates the risk of its re-assignment. In addition, since the receivable verification process is simplified by the centralization of payments at *Comunidad* or central administration level, as the case may be, and the receivable certification process described above, in Spain we are able to perform the receivable verification activities on our own without the assistance of external agencies.

Portugal

Since obtaining Bank of Italy's confirmation to have no objections in this respect on 23 April 2014, we have operated directly, on a cross-border basis under the freedom to provide services, as well as (since 1 December 2016) through services rendered by Farmafactoring España in respect to the commercial part, on the Portuguese market for the Non-Recourse Factoring of receivables due to clients from the Portuguese healthcare system and, more specifically, from public hospitals ("**SPA**") and public entities operating in the healthcare sector ("**EPE**"). These authorities are funded directly by the Portuguese central government. In 2017 we decided to expand our factoring activity to debtors of Public administration (non-healthcare sector).

Our Non-Recourse Factoring activities in Portugal are managed by one of our business units, whose tasks include the operational activity aimed at purchasing receivables, management and collection thereof (they mainly include sending payment reminders and taking legal action), whereas, in carrying out our activities, we rely on the commercial network of Farmafactoring España as a channel for direct business acquisitions and distribution of offered services.

As of 31 December 2015 we had 9 customers and 44 debtors in Portugal. As of 31 December 2016, we had 11 customers and 45 debtors. With regard to the seasonality of the business which has its maximum concentration of operation in the last quarter of the year, the comparison between customers number in 2016 and those in the foregoing years is not material.

The volumes of new receivables managed and receivables purchased on a non-recourse basis in Portugal totalled €51 million in the year ended 31 December 2016.

Similarly to Spain, in Portugal we use a receivable payment process that ensures the conformity of invoices with debtors' accounts, including systems for: (i) the assumption of debt by the relevant debtor at the time of allocation of the budget (*numero de cabimento*, in the presence of which it is assumed that purchases are legitimate as set forth in the budget), and (ii) the identification of all documents that, from a financial, legal and administrative point of view, conform to and are certified as debt owed by the relevant debtor (*numero de compromiso*). Pursuant to certain types of contracts, the "*numero de compromiso*" must appear on the order, in the absence of which there will be less certainty surrounding the receivable with an increased counterparty risk in respect of debtors.

In 2014, the annual expenditure of the Portuguese public healthcare sector amounted to approximately €10.4 billion, of which approximately €2.3 billion related to expenditure on goods and services (*Source*: *Instituto Nacional de statistica-Portugal*).

Portugal implemented Directive 2011/7/EU on combating late payment in commercial transactions through Decree Law 62/2013, which established that the new late payment interest rate (equal to 8% above the ECB's reference rate) would apply to the Portuguese healthcare service from 1 January 2016. Until 31 December 2015 the applicable late payment interest rate for the Portuguese healthcare service under Decree Law 32/2003 (implementing Directive 2000/35/EC) was equal to 7% above the ECB's reference rate.

Late payment interest constitutes a significant part of our income. In the year ended 31 December 2016, we recorded in our income statement €3.2 million in Maturity Commissions and late payment interest in Portugal.

The amount of late payment interest accrued and legally due to us, but not already collected, in relation to purchased non-recourse receivables (in our late payment interest fund) in Portugal was equal to €11 million and €8 million for the years ended 31 December 2016 and 2015, respectively. As of 31 December 2016, part of the late payment interest fund, equal to €1 million, was transferred to our income statement.

The following table indicates the amount of receivables acquired, collected, and acquired but not yet collected (outstanding receivables) as part of our Non-Recourse Factoring activities in Portugal, for the years ended 31 December 2016 and 2015, respectively.

	As of 31 December 2016	**As of 31 December 2015**
	(in € millions)	
Non-Recourse Purchases	51	55
Non-Recourse Factoring Collections	40	54
Non-Recourse Factoring Outstanding receivables	39	28

Although we only began operating in the Non-Recourse Factoring sector in April 2014, we have already acquired receivables amounting to over €55 million. During 2015 we grew by 87.4% and established our position as market leader, as we are the sole specialized market player *(Source*: *Factor Chain International*). As of 31 December 2016, our receivables amounted to approximately €51 million.

In October 2017, we submitted a filing with the Bank of Italy to open a branch in Portugal and expand our offer of factoring services (currently provided under the freedom to provide services). We expect that we will start operating a branch in this country presumably in the second half of 2018.

Poland

The Magellan Group operates primarily in three sectors: (i) financing of suppliers' operating capital, (ii) financing of current and future receivables, and (iii) financing of investments in the public and health sectors. In particular, Magellan is a leading operator in the market providing financial services to companies in the health sector, to the suppliers of the public administration in Poland and to local government entities (*Source*: *Management analysis of direct competitor public information*).

Magellan entered into a cooperation and management agreement with the closed-end fund Skarbiec-Zdrowia FIZ-AN, pursuant to which Magellan collects receivables acquired by the fund.

Magellan, in order to expand its activities into Western Europe, established at the end of 2014 a branch in Spain, Magellan S.A Corporativa, Sucursal en España. Through its Spanish branch, Magellan carried out non-recourse factoring of receivables due from the Spanish public administration and credit management. Furthermore, Magellan's Spanish branch granted financing for the purchase of medical equipment. The outstanding credit portfolio has subsequently been transferred from Magellan Spanish branch to Farmafactoring España. Following this agreement, we have closed the Spanish branch of Magellan so that the Spanish operations of the Group are now unified under Farmafactoring España. See "*Recent Developments – Winding-up of Magellan branches*".

The Magellan Group consists of the following companies (in addition to Magellan):

- MEDFinance S.A. ("**MEDFinance**"), a Polish joint-stock company wholly owned by Magellan. It provides public and private healthcare entities with the opportunity to acquire receivables in support of their investments and funding for the replacement and purchase of new medical equipment giving access to modern forms of financing by offering financial services for the supply of medical equipment, in particular by way of factoring, financial leasing and consumer credit;

- DEBT-RNT sp. z o.o., a Polish limited liability company wholly owned by Magellan operating in the field of debt restructuring;

- Magellan Česká republika s.r.o., a Czech limited liability company wholly owned by Magellan. It grants Czech healthcare entities and their suppliers access to financing, in particular by providing factoring services, including the factoring of receivables, and granting loans and guarantees;

- Magellan Central Europe s.r.o., a Slovakian limited liability company wholly owned by Magellan. It partners with Slovakian healthcare entities and their suppliers by providing financial services, including the factoring of receivables, and granting loans and guarantees; and

- Komunalny Fundusz Inwestycyjny Zamknięty, a closed-end fund of which Magellan owns 100% of the issued financial instruments.

In addition, the law firm Kancelaria Prawnicza Karnowski i Wspólnik spółka komandytowa located in Łódź (Poland), incorporated as a limited partnership, and Restrukturyzacyjna Kancelaria Prawnicza Karnowski i Wspólnik spółka komandytowa spółka komandytowa located in Łódź (Poland), incorporated as a limited partnership, are affiliated entities of the Magellan Group.

The following table shows the main economic and financial indicators of the Magellan Group for the years ended 31 December 2016 and 2015 respectively.

	As of 31 December 2016	As of 31 December 2015
	(*in € millions*)	
Total assets	463	413
Equity	89	82
Revenues	37	39
Operating expenses	11	8
Operating income	8	12
Net results	7	10

Net result adjusted as of 31 December 2016 is equal to about €9.6 million taking into consideration one-off costs and expenses concerning the waiver on mBank Bond and the tender offer completed by the Issuer on the share capital of Magellan.

As of 31 December 2016, Poland represented the principal market for the business of the Magellan Group accounting for approximately 85% of the total purchased assets. The markets in which the Magellan Group operates, other than the Polish market, account approximately for the remaining 15% (Slovakia for 10%, Spain for 3% and Czech Republic for 2%).

The Magellan Group total assets amounted to PLN 2,041 million and PLN 1,760 million as of 31 December 2016 and 2015, respectively (approximately €463 million and €368 million, respectively), while equity was equal to PLN 391 million and PLN 350 million as of 31 December 2016 and 2015 (approximately corresponding to €88.7 million and €82.1 million), respectively.

The information related to fiscal year 2015 has been extracted from the consolidated financial statements of the Magellan Group for the year ended 31 December 2015.

The information related to fiscal year 2016 has been extracted from the consolidated financial statements of the Magellan Group for the year ended 31 December 2016.

Market for Public Spending for Goods and Services

Italy

Total public spending in 2016 amounted to €772.0 billion, 46.2% of GDP, up 1.3% compared to 2015. The main public spending items consist of expenses for personnel (21.3%), goods and services (17.6%) and other expenses including social services, other current expenses and interest expense (61.5%). The main spending sectors of public administrations pertain to monetary outlays for social security (20.2% of GDP), public sector employees (9.8%) and healthcare (6.7% of GDP) (*Source: Economy and Finance Document published by the Italian Ministry of the Economy and Finance on* April 11, 2017).

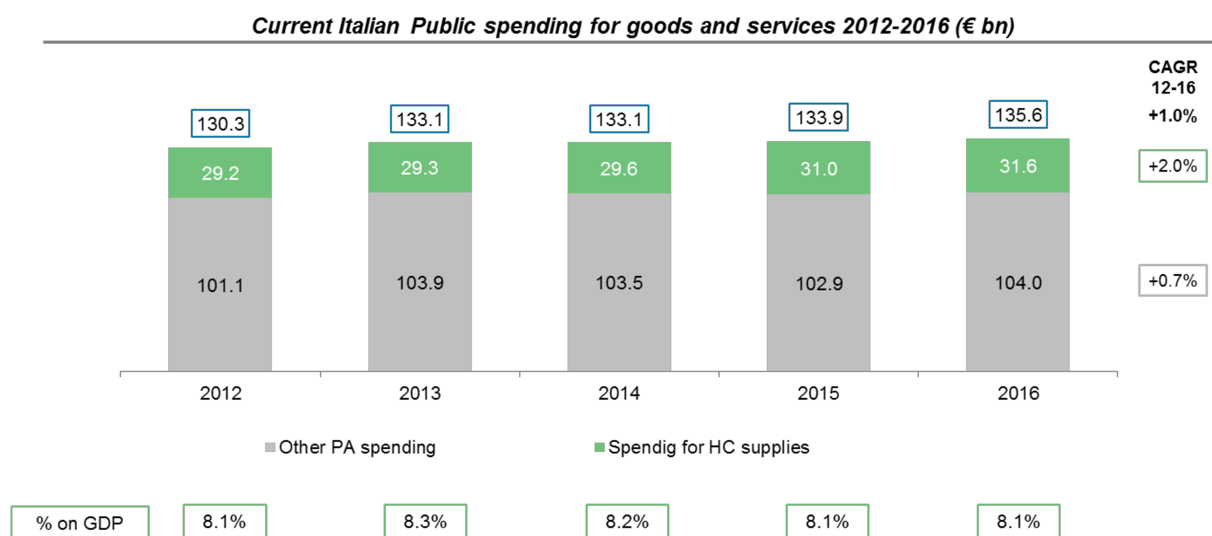
We have focused our business on factoring and on the management of the receivables which suppliers claim from the public administration. Based on the characteristics of this business model, the expense for goods and services is the public spending reference item; these are the outlays for the purchase of current intermediate assets (consumables and equipment) and work services, which increase the stock of public capital (infrastructure and public buildings) whose expense for goods and services incurred by the Italian national healthcare system represents our traditional market.

In 2016, public spending for goods and services amounted to €135.6 billion (8.1% of GDP) with a CAGR of 1.0% from 2012 to 2016. The share of spending incurred by the Italian national healthcare system amounted to €31.6 billion (23% of total public spending for goods and services), of which €8.3 billion was for the purchase of pharmaceutical, biomedical and diagnostic materials and €23.3 billion derived from purchases from other suppliers of the Italian national healthcare system (e.g. utilities, telecommunications, maintenance).

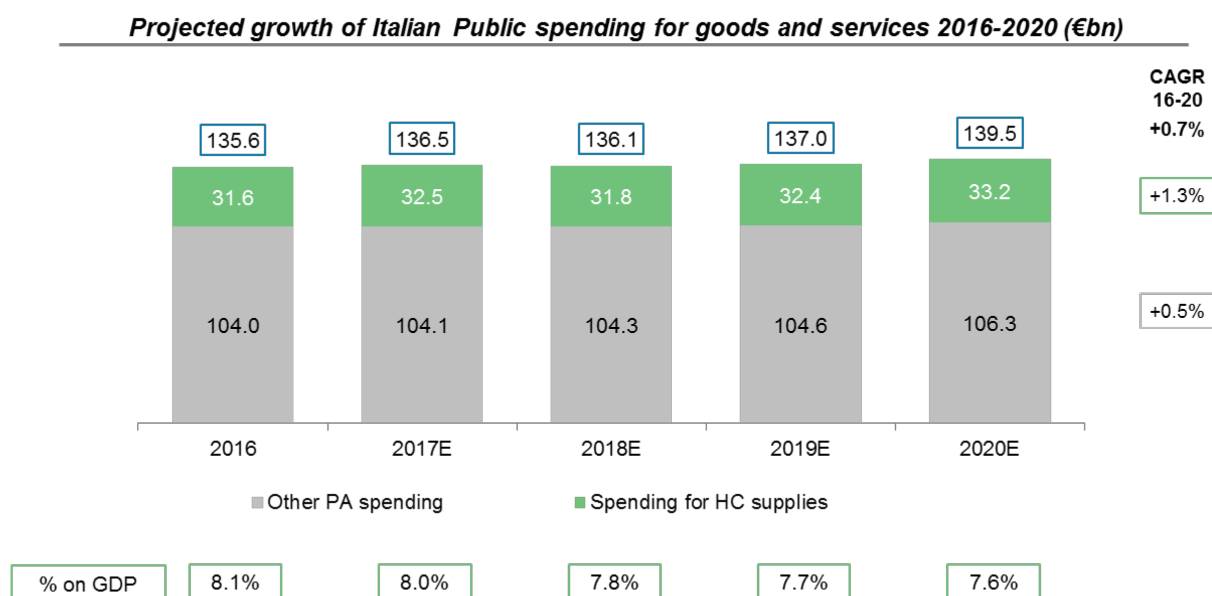
Despite recent initiatives adopted by the Italian government, the relevant market has a steady trend. Between 2012 and 2016, public spending recorded a stable trend, due mainly to spending cuts undertaken by the Italian government to face the adverse economic conditions of the country. The public spending for the Italian national healthcare system grew in the last three years from €110.4 billion in 2012 to €112.5 billion in 2016. Intermediate consumption increased during the five year 2012-2016 (CAGR +2.0%).

Public finance projections for the period from 2016 to 2020 estimate an increase in public spending for goods and services, expected to reach €139.5 billion in 2020 compared to €135.6 billion in 2016 (+0.7% CAGR) (*Source: Documento di Economia e Finanza 2017*). This increase in public spending is connected to a reduction in its proportion of the GDP, from 8.1% in 2016 to 7.6% in 2020, as a consequence of the legislative measures approved in March 2015 with specific reference to the issue of the payment of the previous debts of the public administrations. The update of the Economy and Finance Document as of 23 September 2017 has slightly revised the estimates of expenditure for the next five years, particularly in relation to spending on goods and services estimated, which is expected to reach €141.1 billion in 2020.

The expenses for goods and services of the Italian national healthcare system are expected to increase at an annual rate of 1.3%, reaching approximately €33.2 billion in 2020, as set forth in the table below.



Source: Ministero dell'Economia e delle Finanze—Documento di Economia e Finanza



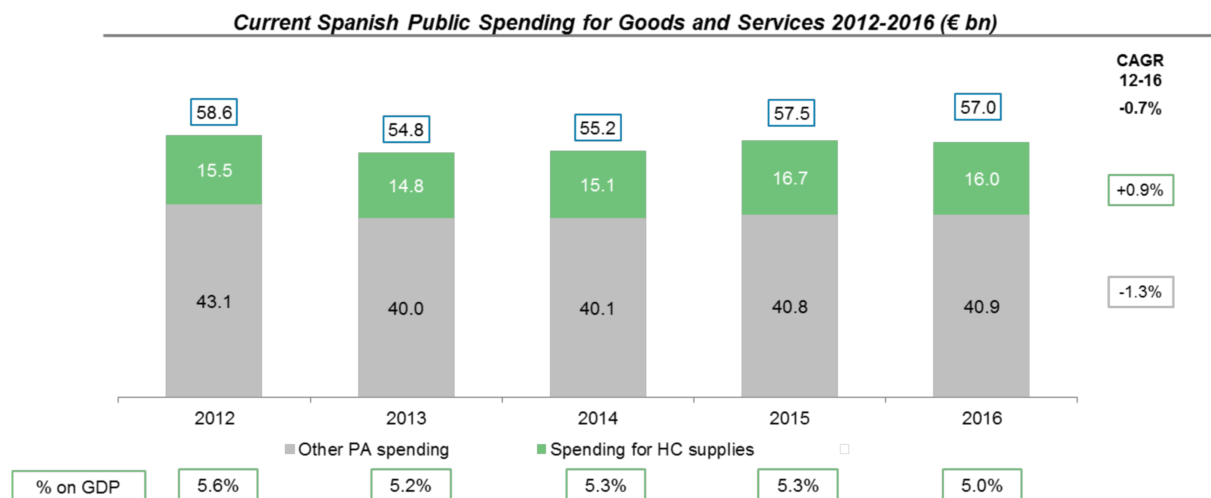
Source: Ministero dell'Economia e delle Finanze—Documento di Economia e Finanza

Spain

The public spending for goods and services in 2016 amounts to €57.0 billion (equal to 5.0% of GDP), slightly decreasing in comparison to previous years (CAGR 2012-2016: -0.7%), as a result of the government

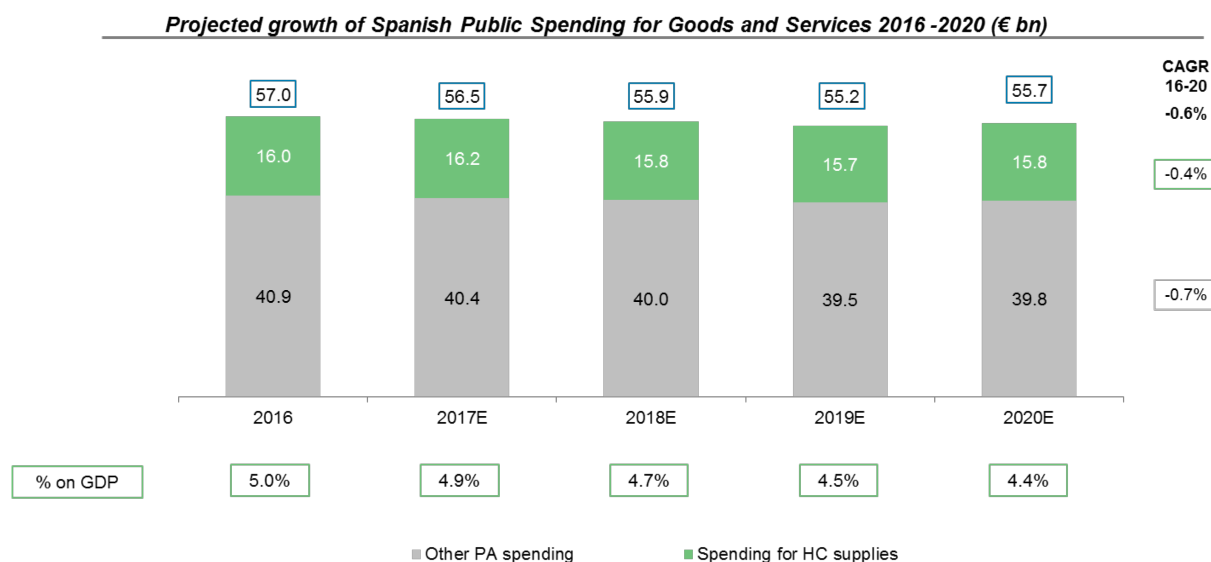
interventions carried out since 2012 (*Plan de Pago*) to reduce public sector debt and payment times (*Source*: *Actualización del Programa de Estabilidad 2017-2020*).

The public spending for goods and services incurred by the Spanish national healthcare system amounted to €16.0 billion in 2016 (28% of total expenses for intermediate consumption, up from 26% in 2012), with a consistently upward trend during the five-year interval from 2012 through 2016 (+0.9% CAGR) (*Source*: *Ministerio de Hacienda y Administraciones Públicas*).



Source: Ministerio de Hacienda y Administraciones Públicas and Actualización del Programa de Estabilidad 2017-2020—Reino De España

For the period 2016-2020 a further slightly reduction in public spending in goods and services is expected (-0.6% CAGR for the 2016-2020 period), as a result of the modernization and streamlining of the public administration entrusted to the CORA (*Comisión para la Reforma de la Administración*, or Commission for reforming the administration), that will lead to a decrease in the impact of such expenditure component on GDP (from 5.0% in 2016 to 4.4% in 2020) (*Source: Actualización del Programa de Estabilidad 2017-2020*).



Source: Ministerio de Sanidad, Servicios Sociales e Igualdad and Actualización del Programa de Estabilidad 2017-2020 Reino De España, IMF World Economic Outlook April 2016

Portugal

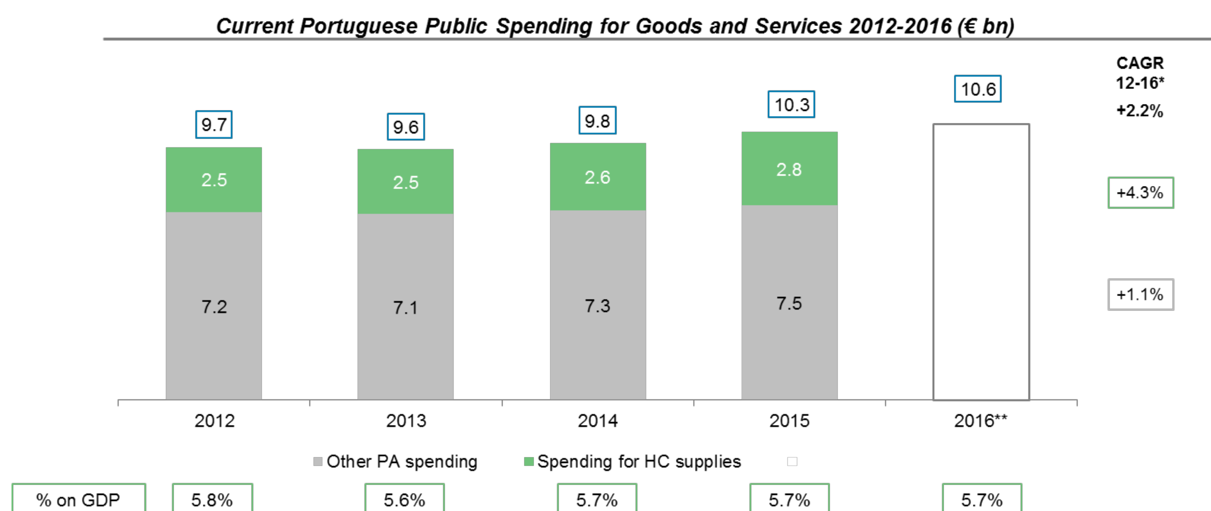
In Portugal, public spending is undergoing a drastic reduction as a result of the complex recovery plan implemented by the government since 2011. Total public spending has been declined since 2010

(€93.2 billion), except for the 2-years period of 2013-14, reaching €83.3 billion in 2016 (-10.6% vs 2010). As of 31 December 2016 the sovereign debt of the Portuguese government amounted to €241 billion, 130% of GDP (*Source: IMF, World Economic Outlook, October 2017*).

The spending for goods and services has been recovering over the last 5 years, reaching €10.6 billion in 2016 (accounting for 5.7% of GDP).

As of 2015, the spending for goods and services relating to the central government administrations account for 73% (€7.5 billion) of total expenses and 65% (€4.8 billion), excluding healthcare expenditures.

In 2016, Portuguese public healthcare spending amounted to €11.0 billion, slightly increasing in the last 5 years (+1.5% CAGR), recovering after the drop recorded in 2011-2012; the same trend occurred in the segment of spending for goods and services, which reached €2.8 billion in 2015 vs €2.5 billion in 2012 (+4.3% CAGR). In Portugal, the official payment times of the healthcare sector, although declining in the past years, are significantly higher than in Italy and Spain (323 days as of December 2016, increased to 382 as of August 2017).



*Source: Instituto Nacional de Estatistica—Portugal * CAGR 2012-16 for the total, CAGR 2012-2015 for the PA e HC breakdowns **for 2016 PA and HC breakdowns are not available*

At the end of 2016, trade payables in Portugal amounted to €4.0 billion, representing 2.1% of the GDP. Similar to what occurred in Italy and Spain, such amount is significantly decreasing compared to the maximum levels registered in previous years (3.5% in 2011) (*Source: Eurostat*).

Greece

Healthcare in Greece is provided by the National Healthcare Service, or ESY, and private healthcare schemes. In July 2011, changes were made to the Greek healthcare system in accordance with austerity measures. Healthcare spending in Greece was severely affected by the economic crisis, leading to a decrease of approximately 40% during the period 2009-2015. Healthcare spending (public and private) has fallen every year since 2009, reaching the minimum of €14.1 billion in 2014, mainly due to the contraction in Government and Social Security coverage. However, this decline in healthcare spending appeared to be smaller for Hospitals, which proven to be more resilient than other market players (e.g. pharmacies, private practices etc.).

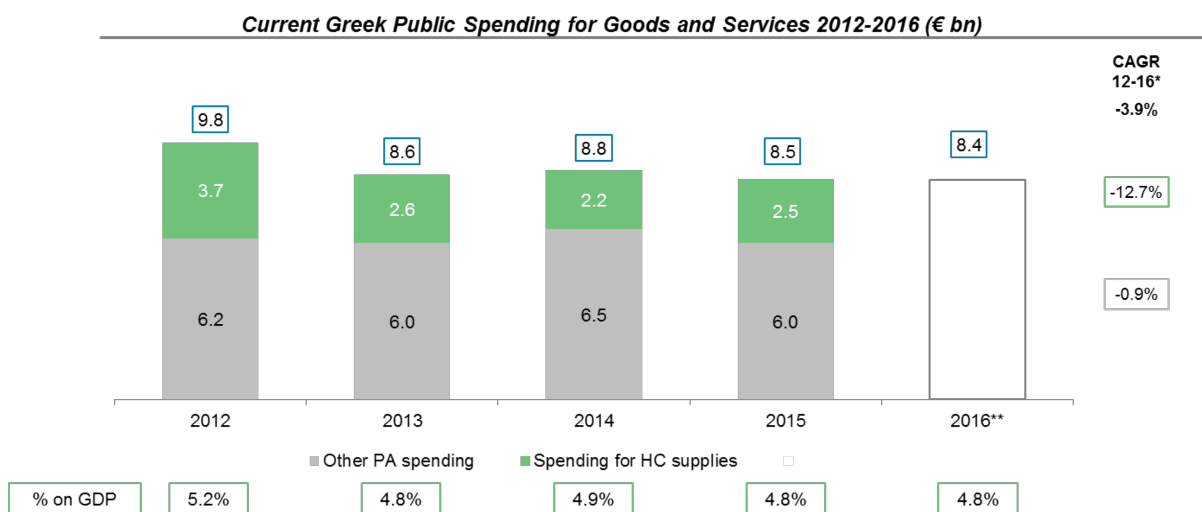
In 2016 Greek healthcare spending amounted approximatively to €14.6 billion, with a steady trend recorded since 2014 and down from 2011 (€16.8 billion, CAGR -3.4%). In particular, the significant contraction of HC spending is referred to public component (€8.5 billion in 2016, CAGR 2012-2016 -6.4%).

In terms of financing, Greece demonstrates a high share of Private expenditure and a lower penetration of General Governmente and Social Security scheme than other EU countries. The public component of healthcare represents 58% of the total. (*Source: OECD, Elstat*)

The first months of 2017 presented a number of interesting developments, including the discussions about a new legislation on Primary Healthcare, as well as the demonstrated appetite for business agreements by international investors. (*Source: Deloitte, Healthcare in Greece*).

Total public spending in 2016 amounted to €86.6 billion, 49.2% of GDP, down 8.7% compared to 2015, following a contraction path of 4.9% annual since 2012. At the dawn of the crisis, in 2009, public spending reached €128.5bn.

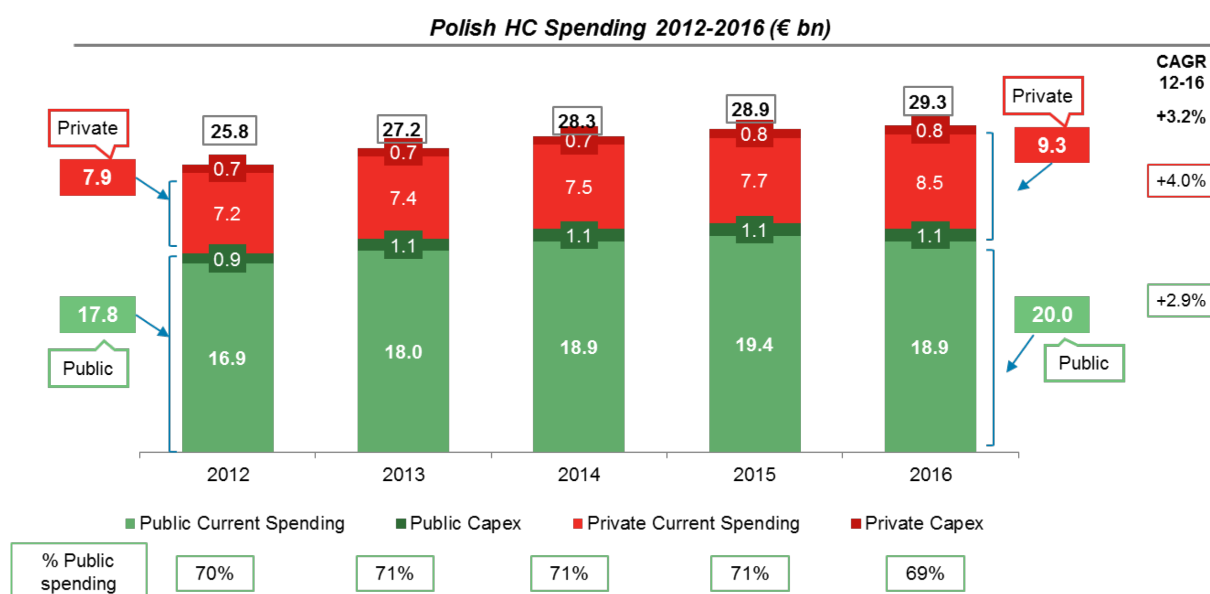
In 2016, public spending for goods and services amounted to €8.4 billion (4.8% of GDP) with a CAGR of -3.9% from 2012 to 2016; the share addressed to the Greek national healthcare system was €2.5 billion in 2015 (29% of total public spending for goods and services).



*Source: OECD, Elstat, IMF * CAGR 2012-16 for the total, CAGR 2012-2015 for the PA e HC breakdowns **for 2016 PA and HC breakdowns are not available*

Poland, Czech Republic and Slovakia

In 2016 Polish healthcare spending increased to approximately €29.3 billion, compared to 2012 (€25.8 billion, CAGR 3.2%). The public component of public healthcare represents 69% of the total, even if private spending is expected to guide the growth trend in the next five years. (*Source: OECD, NHF; Ministry of Health and PwC analysis*).



Source: OECD

Magellan operates also in Slovakia and Czech Republic through its subsidiaries, offering financing the healthcare system. In Czech Republic and Slovakia, the markets of healthcare spending have limited relevance amounting to €12.7 billion and €5.6 billion, respectively, in 2016. In the Czech Republic, 82% of healthcare spending is supported by the State, while in Slovakia public component of healthcare spending is strongly growing in the last years (approximately 80% in 2016, increasing by 72% from 2012) (*Source: OECD*).

Employees

The table below sets forth the number of employees of the Group at year end for the years ended 31 December 2016 and 2015.

	2016	**2015**
Senior Executives and Executives	23	12
Managers	100	55
Workers	286	121
Total	**409**	**188**

As of 31 December 2016, the Group (excluding Kancelaria Prawnicza Karnowski i Wspólnik spółka komandytowa) had 409 employees of which 202 are employed by us and 23 by Farmafactoring España and 184 by the Magellan Group of which 170 in Poland, 11 in Slovakia, 3 in Czech Republic. The Issuer has trade unions and has entered into collective labour contracts with its employees; the Magellan Group has no trade unions and has not entered into any collective labour (or similar) contracts with its employees.

Our full-time employees are normally employed under contracts of indefinite term.

Legal Proceedings

We are involved in a number of legal proceedings arising in the ordinary course of our business. We assess the potential losses that we could incur in connection with pending legal proceedings and make provisions in application of prudential criteria. In the year ended 31 December 2016, we made provisions of an aggregate amount of €2,075 thousand to cover risks and charges. Although we believe that such amount is adequate, in the event that any losses resulting from legal proceedings exceed such amount, this could have a material adverse effect on our business, financial condition and results of operations.

Corporate Governance

The organisational documents of the Issuer conform to the provisions contained in the Italian Civil Code and other special regulations regarding banks. The Issuer is structured according to the traditional Italian business corporate governance model with (i) a board of directors (the "**Board of Directors**") responsible for overseeing business management, and (ii) a board of statutory auditors (the "**Board of Statutory Auditors**") responsible for supervising compliance with laws and statutes, and monitoring the adequacy and the proper functioning of the organisational structure, the Issuer's internal controls and the Issuer's accounting and administrative system.

Pursuant to Legislative Decree No. 231 of 8 June 2001, as amended ("**Decree 231**", which provides for the direct liability of legal entities, companies and associations for certain crimes committed by their representatives and encourages companies to adopt corporate governance structures and risk prevention systems to stop managers, executives, employees and external collaborators from committing crimes), the Board of Directors appoints an independent supervisory board ("***Organismo di Vigilanza***"), composed by three members (one of which independent from the company), which is charged with the task of (i) monitoring compliance with Decree 231 and (ii) proposing necessary updates to the organisational model of the Issuer. In order to supervise the actions of top management adequately, the *Organismo di Vigilanza* must remain fully autonomous. As of the date of this Prospectus the members of the *Organismo di Vigilanza* are Giovanni Maria Garegnani, Marina Corsi and Marco Lori.

In addition, pursuant to Article 31-bis of the Spanish Criminal Code, as amended by the Organic Law No. 1 of 30 March 2015 ("**Ley Orgánica**") which regulates the administrative liability of legal entities, including companies, the Board of Directors of Farmafactoring España approved the "Farmafactoring España S.A. Organizational, Management and Control Model pursuant to art 31-bis of the Criminal Code" (the "**Model**").

The Model provides for the appointment by the Board of Directors of Farmafactoring España of a Supervisory Body in charge of the supervision of the activities of the company and of ensuring compliance with the Model, as well as of taking care of the update of the Model. The Supervisory Body of Farmafactoring España consists of solely the secretary of the Board of Directors of Farmafactoring España.

In accordance with Polish regulations, Magellan adopted specific guidelines on anti-corruption and appointed its Compliance Chief Officer as the monocratic body in charge of overseeing compliance with anti-corruption provisions.

Directive No. 2013/36/EU (CRD IV Directive) was implemented in Italy by Legislative Decree No. 72 of 12 May 2015, which introduced a new Article 52—*bis* in the Consolidated Banking Act, entitled "*internal systems for the reporting of violations*". The Bank of Italy implemented Article 52—*bis* of the Consolidated Banking Act by publishing, on July 21, 2015, the eleventh update to Circular No. 285 of 17 December 2013, entitled "*Supervisory Provisions for Banks*" (the "**Eleventh Circular Update**"). Pursuant to the Eleventh Circular Update, banks are required to have an internal reporting system in place allowing their staff to report acts or facts that may constitute a breach of the rules governing banking activities (as defined by Article 10 of the Consolidated Banking Act). In particular, banks are required to (i) identify the person responsible for the internal reporting system; (ii) define the internal reporting procedure and the timing of all stages of the procedure transposed into operating procedures and approved by the Board of Directors, ensuring impartiality and independent judgment of those who receive, examine and evaluate the reports as well as the confidentiality and protection of personal data of the person who make the report and the reported person; and (iii) circulate in a clear and exhaustive way to all the staff the reporting procedure adopted, including the measures adopted to ensure protection of privacy. As of the date of this Prospectus, the Group (including Magellan and its subsidiaries) has already implemented the Eleventh Circular Update.

Board of Directors

The members of the Board of Directors are elected by the shareholder's meeting for three-year terms (unless elected upon the resignation or removal of another member) on the basis of lists submitted by shareholders, each of which sets out a number of candidates not greater than the number of members to be appointed, listed through a sequential numbering. At the end of the voting operations, candidates of the two lists which obtained the higher number of votes are appointed. The appointment of the Board of Directors shall take place in accordance with the balance between genders regime. Pursuant to the Consolidated Banking Law, the members of the Board of Directors are required to abide by specific professional, ethical and independency requirements.

The following table sets forth the names, positions and principal activities of the current members of the Board of Directors. Each member's term will expire at the annual shareholders' meeting called for the approval of the Issuer's annual financial statements as at and for the year ending 31 December 2017.

Name	Position	Principal Activities Outside the Issuer
Salvatore Messina	Chairman	Chairman of Diners Club Italia S.p.A. Director of Fondazione Farmafactoring
Luigi Sbrozzi	Vice Chairman	Director of BFF Luxembourg S.à r.l. Director of Fortuna Holdings Ltd Director of Fortuna Midco Ltd Director of Fortuna Topco Ltd.
Massimiliano Belingheri	Chief Executive Officer	Chairman of Farmafactoring España Chairman of the Supervisory Board of Magellan S.A.
Marco Riccardo Rabuffi	Director	Chairman of Fondazione Farmafactoring Chairman of Tirolea S.r.l.
Gabriele Michaela Aumann Schindler	Director	N/A

Name	Position	Principal Activities Outside the Issuer
Federico Fornari Luswergh	Director	Director of Merck Serono S.p.A. Director of Istituto di Ricerche Biomediche Antoine Marxer "RBM S.p.A." CEO of Merck S.p.A. Director of Allergopharma S.p.A. Director of Fonchim Director of Sigma Aldrich Italia S.r.l. Director of Sigma Aldrich S.r.l.
Mark John Arnold	Director	N/A
Giampaolo Zambeletti Rossi	Director	Chairman of RCS Investimenti S.p.A. Vice Chairman and Director of Unidad Editorial S.A. Madrid Director of Cellnex S.A. Barcelona
Ben Carlton Langworthy	Director	Director of FB Lux Holdings GB Director of FB Lux Holdings S.C.A. Director of FB Lux Holdings MIP S.C.A. Director of Bonhom S.a.S. Director of Resort Finance America LLC Director of GTH LLC Director of Reachford Limited Director of Senvion S.A. Director of Senvion GmbH Director of Cepal Holdings S.A.
Elisabetta Oliveri	Director	Director of Sagat S.p.A. CEO of Fabbri Vignola S.p.A. CEO of Gruppo Fabbri Vignola S.p.A. Chairman of Gruppo Fabbri (Switzerland) S.A. Sole Director of Ser Man S.r.l. Director of Snam S.p.A. Director of Automac UK Director of Gedi S.p.A.

The business address of the members of the Board of Directors is, for each director, Via Domenichino, 5, Milan, Italy.

Board of Statutory Auditors

Each member of the Board of Statutory Auditors is appointed by the shareholders and the board is composed of three regular auditors, one of whom is appointed as chairman, and two alternate auditors. Members of the Board of Statutory Auditors are elected on the basis of lists submitted by shareholders, in which candidates are listed with sequential number, for a term of three years until the date of the shareholders' meeting called for the approval of the financial statements relating to the third year of such appointment. The appointment of the Board of Statutory Auditors shall take place in accordance with the balance between genders regime.

The Board of Statutory Auditors is part of the internal control system and its activities are carried out in compliance with the relevant regulatory requirements, including those set out by the Bank of Italy.

The following table sets forth the names and positions of the current members of the Board of Statutory Auditors, all of whose appointments expire at the annual shareholders' meeting which is called for the approval of the Issuer's annual financial statements as at and for the year ending 31 December 2017:

Name	Position
Marco Lori	Chairman and Statutory Auditor
Sabrina Pugliese	Statutory Auditor
Patrizia Paleologo Oriundi	Statutory Auditor
Giancarlo de Marchi	Alternate Auditor
Alessandro Cavallaro	Alternate Auditor

In accordance with Italian law, members of the Board of Statutory Auditors are registered members of the registry of certified public accountants (*Revisori Contabili*) held by the Italian Ministry of Justice.

The business address of the members of the Board of Statutory Auditors is Via Domenichino, 5, Milan, Italy.

Conflicts of Interest

As of the date of this Prospectus, there is no actual or potential conflict of interest between the duties of any of the members of the Board of Directors or Board of Statutory Auditors of the Issuer and their respective private interests or other duties.

Recent Developments

Expansion of our business in Greece

In February 2017, we filed a notification with the Bank of Italy to offer factoring services – including the non-recourse factoring business – in Greece under the freedom to provide services. In line with our organic group strategy, we are considering offering a factoring services increase in relation to receivables towards Greek public healthcare entities. We obtained the relevant authorization by the Bank of Italy on 28 March 2017 and in September 2017 we completed our first acquisition of a portfolio of credits towards public hospitals in Greece for a nominal amount of approximately €10.0 million.

Expansion of our business in Portugal

In October 2017, we submitted a filing with the Bank of Italy to open a branch in Portugal and expand our offer of factoring services (currently provided under the freedom to provide services). We expect that we will start operating a branch in this country presumably in the second half of 2018.

Magellan tax asset

The Magellan Management Board acknowledged that the merger of Mediona with Magellan would have generated a tax asset. However, on 20 February 2017, the Polish tax authority rejected our request to register the merger as a tax asset.

On 7 March 2017, Magellan S.A. filed two requests for the elimination of a law violation, one with the Development and Finance Minister and the other one with the Head of the National Revenue Administration.

On 28 April 2017, the company received a reply from the Head of the National Revenue Administration to its request for the elimination of a law violation, filed in connection with the refusal to issue an advance tax ruling on the merger of Magellan S.A. with Mediona Sp. z o.o. of 16 December 2016. The Head of the National Revenue Administration upheld the position expressed in the said refusal to issue an advance tax ruling.

On 29 May 2017, Magellan S.A. filed a complaint against the refusal to issue an advance tax ruling with the Provincial Administrative Court in Warsaw via the Head of the National Revenue Administration.

Initial public offering

On 5 April 2017 we announced the conclusion of the placement to institutional investors of our ordinary shares and the admission to trading on the *Mercato Telematico Azionario*, organised and managed by Borsa Italiana S.p.A. The placement comprised 53,000,000 ordinary shares offered for sale by BFF Luxembourg, equal to 31.6% of the share capital. The offer price for the shares was set at €4.7 per share. Trading on the *Mercato Telematico Azionario* started on 7 April 2017.

Share buy-back plan

On 7 November 2017 the Board of Directors of the Issuer approved to file with Bank of Italy the application to implement a share buy-back plan for a total maximum amount equal to €3.8 million, corresponding to 0.4% of the corporate capital of the Issuer, in accordance with the authorization already granted by the Shareholders' Meeting of the Issuer on 5 December 2016 pursuant to Article 2357 of the Italian Civil Code.

The decision to implement the share buy-back plan is aimed at acquiring the securities necessary for fulfilling the obligations connected with the compensation and incentive plan of the members of the strategic supervisory, management and control bodies as well as personnel of the Group (the "Risk Takers").

The actual amount allocated to the plan will be determined by another resolution of the Board of Directors once the authorization of the Bank of Italy will have been obtained, as well as the additional information related to the implementation of the plan, will be communicated to the market after such further Board, and – in any case – before the beginning of the implementation of the share buy-back by the Issuer.

TAXATION

The statements herein regarding taxation are based on the laws in force in Italy as at the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules. This overview will not be updated by the Issuer after the Issue Date to reflect changes in laws after the Issue Date and, if such a change occurs, the information in this description could become invalid.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Tax treatment of Interest

Italian Legislative Decree no. 239 of 1 April 1996, as subsequently amended ("**Legislative Decree no. 239/1996**"), provides for the applicable regime with respect to the tax treatment of interest, premium and other similar income, including the difference between the redemption amount and the issue price (hereinafter, "**Interest**") deriving from Notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) notes issued, *inter alia*, by Italian banks.

For these purposes, securities similar to bonds (*titoli similari alle obbligazioni*) are securities that incorporate an unconditional obligation of the issuer to pay at maturity an amount not lower than their nominal value, with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

The tax regime set forth by Legislative Decree no. 239/1996 also applies to interest, premium and other income from regulatory capital financial instruments complying with EU and Italian regulatory principles, issued by, *inter alia*, Italian banks, other than shares and assimilated instruments.

Italian resident Noteholders

Noteholders not engaged in an entrepreneurial activity

Where an Italian resident Noteholder is (i) an individual (unless he has opted for the application of the *risparmio gestito regime* – see under "*Certain Italian tax considerations on Capital gains on the Notes*" below – where applicable); (ii) a partnership (other than *società in nome collettivo*, *società in accomandita semplice* or a similar partnership), a *de facto* partnership not carrying out commercial activities and a professional association; (iii) a public and private entity (other than a company) and trust not carrying out commercial activities (excluding Investment Funds "*Organismi di Investimento Collettivo del Risparmio*"); or (iv) an investor exempt from Italian corporate income taxation, Interest relating to the Notes, accrued during the relevant holding period, are subject to an *imposta sostitutiva*, levied at the rate of 26 per cent. The *imposta sostitutiva* may not be recovered as a deduction from the income tax due.

Noteholders engaged in an entrepreneurial activity

If the Noteholders described under (i) or (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax and may be deducted from the income tax due.

Where an Italian resident Noteholder is a company or similar commercial entity (including limited partnerships qualified as *società in nome collettivo* or *società in accomandita semplice* and private and public institutions carrying out commercial activities and holding the Notes in connection with this kind of activities) or a permanent establishment in Italy, to which the Notes are effectively connected, of a non-Italian resident entity and the Notes are deposited with an authorised intermediary, Interest from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's income tax return and are therefore subject to ordinary Italian corporate taxation (and, in certain circumstances, depending on the "status" of the Noteholder, also to IRAP – the regional tax on productive activities).

S.I.I.Q., Real Estate Funds and Real Estate SICAFs

Where the Noteholder is an Italian S.I.I.Q. (*società di investimento immobiliare quotata*), the ordinary tax regime of Italian companies will apply to any Interest from the Notes; thus, if the Notes are deposited with an authorised Italian intermediary Interest from the Notes will not be subject to *imposta sostitutiva* and will be included in the taxable income of the Noteholder subject to ordinary Italian corporate taxation.

Payments of Interests relating to the Notes, deposited with an authorised intermediary, made to Italian real estate investment funds established pursuant to Article 37 of Legislative Decree no. 58 of 24 February 1998 ("**Legislative Decree no. 58/1998**"), or pursuant to Article 14-*bis* of Law no. 86 of 25 January 1994 set up starting from 26 September 2001, as well as real estate funds incorporated before 26 September 2001, the managing company of which has so requested by 25 November 2001 (the "**Italian Real Estate Fund**"), are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Real Estate Investment Fund. A withholding tax may apply in certain circumstances at the rate of up to 26 per cent. on distributions made by Italian Real Estate Funds. In certain cases, a tax transparency regime may apply in respect of certain categories of investors in the Italian Real Estate Fund owning more than 5 per cent. of the fund's units.

Pursuant to Article 9 of Legislative Decree no. 44 of 4 March 2014, the same regime applicable to Real Estate Funds also applies to *società di investimento a capitale fisso* ruled by Legislative Decree no. 58/1998 exclusively or primarily investing in real estate in the measures provided under the applicable implementing regulations ("**Real Estate SICAF**").

Funds, SICAVs and SICAFs (*other than Real Estate SICAFs*)

Where an Italian resident Noteholder is an Italian open-ended or a closed-ended investment fund ("**Fund**") or a *società d'investimento a capitale variabile* ("**SICAV**") or a *società di investimento a capitale fisso* not exclusively or primarily investing in real estate ("**SICAF**") and the Notes are deposited with an authorised intermediary, Interest relating to the Notes will not subject to *imposta sostitutiva*. A withholding tax may apply in certain circumstances at the rate of up to 26 per cent. on distributions made by the Fund, the SICAV or the SICAF to certain categories of investors upon redemption or disposal of the units or the shares.

Pension Funds

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of Italian Legislative Decree no. 252 of 5 December 2005, as subsequently amended, "**Italian Pension Fund**") and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 20 per cent. substitute tax.

Enforcement of the imposta sostitutiva

Pursuant to Legislative Decree no. 239/1996, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* ("**SIMs**"), fiduciary companies, *società di gestione del risparmio* ("**SGRs**"), stockbrokers and other entities identified by a decree of the Ministry of Finance (each an "**Intermediary**"). An Intermediary must (i) be resident in Italy or a permanent establishment in Italy of a non-Italian resident financial intermediary; and (ii) intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in the ownership of the relevant Notes or a transfer of the Notes to another deposit or account held with the same or another Intermediary.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by the intermediary paying Interest to a Noteholder (or by the Issuer, should the income be paid directly by the latter).

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are effectively connected, an exemption from the *imposta sostitutiva* applies, *provided that* the non-Italian resident beneficial owner is either (i) resident, for tax purposes, in a country which allows for a satisfactory

exchange of information with Italy (the "**White List States**"); (ii) an international body or entity set up in accordance with international agreements which has entered into force in Italy; (iii) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (iv) an institutional investor which is incorporated in a White List State, even if it is not subject to income tax therein. White List States are currently identified by Ministerial Decree of 4 September 1996, as amended by Ministerial Decree 23 March 2017.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of Interest and (i) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or a SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and (ii) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked and in which the Noteholder declares itself to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is requested neither for the international bodies or entities set up in accordance with international agreements which have entered into force in Italy, nor in the case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by the Ministerial Decree dated 12 December 2001. In the case of institutional investors which do not possess the status of taxpayers in their own country, the institutional investor is considered the beneficial owner and the statement under (ii) above shall be issued by the relevant management body.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. to be reduced according to the applicable double tax treaty, if any, to Interest paid to Noteholders which are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy or for which the above-mentioned provisions are not met.

Certain Italian tax considerations on Capital gains on the Notes

Italian resident Noteholders

Noteholders not engaged in an entrepreneurial activity

Where an Italian resident Noteholder is an individual holding the Notes not in connection with an entrepreneurial activity and certain other persons (such as a non-commercial partnership and a non-commercial private or public institution), any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. pursuant to Legislative Decree no. 461 of 21 November 1997 ("**Legislative Decree no. 461/1997**").[6]

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below:

(i) under the tax declaration regime (*regime della dichiarazione*), which is the standard regime for Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss of the same nature, realised by the Italian resident individual Noteholder holding Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss of the same nature, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains of the same nature realised in any of the four succeeding tax years. Pursuant to Law Decree no. 66 of 24 April 2014 ("**Law Decree no. 66/2014**") capital losses may be carried forward to be offset against capital gains

[6] For the sake of completeness, please note that according to Article 88 of the Budget law 2018 (which is still under discussion and, consequently, at the date of this Prospectus is still not in force) as approved by the Council of Ministers (*Consiglio dei Ministri*) for the subsequent transmission to the Parliament on 29 October 2017, certain amendment to Legislative Decree no. 461/1997 are provided therein.

of the same nature realised after 30 June 2014 for an overall amount of: (a) 48.08 per cent. if realised before 1 January 2012; (b) 76.92 per cent. of the capital losses if realised from 1 January 2012 to 30 June 2014;

(ii) as an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato regime*). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (b) an express election for the *risparmio amministrato* regime being made punctually in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realized at revocation of its mandate), net of any incurred capital loss of the same nature, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Pursuant to Law Decree no. 66/2014 capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (a) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (b) 76.92 per cent. of the capital losses of the same nature realised from 1 January 2012 to 30 June 2014. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gain in its annual tax return and the Noteholder remains anonymous. If the Notes are included in a "long term investment plan" (*piano individuale di risparmio a lungo termine – "PIR"*), as defined and ruled by Article 1, paragraphs 100-114 of Law No. 232/2016 ("**Financial Bill 2017**") as amended by Article 57, paragraph 2 of Law Decree No. 50 of 24 April 2017 (converted into Law No. 96 of 21 June 2017), capital income (such as interest, premiums and other similar income) and other financial income (such as capital gains) are eligible for a tax exemption, *provided that* all the conditions set forth by the Financial Bill 2017 are met; [7]

(iii) any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year-end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. According to Law Decree no. 66/2014, decreases in value accrued on the investment portfolio may be carried forward to be offset against increase in value accrued after 30 June 2014 for an overall amount of: (a) 48.08 per cent. of the decreases accrued before 1 January 2012; (b) 76.92 per cent. of the decreased accrued from 1 January 2012 to 30 June 2014. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gain realised in its annual tax return.

Noteholders engaged in an entrepreneurial activity

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of production for IRAP purposes) if realised by (i) Italian resident companies; (ii) Italian resident commercial partnerships; (iii) permanent establishments in Italy of foreign corporations to which the Notes are effectively

[7] On 4 October 2017, the Ministry of Economic Affairs and Finance published guidelines with respect to PIR. Moreover, for the sake of completeness, according to Article 11 of the Budget law 2018 (which is still under discussion and, consequently, at the date of this Prospectus is still not in force) as approved by the Council of Ministers (*Consiglio dei Ministri*) for the subsequent transmission to the Parliament on 29 October 2017, certain amendment to PIR regime are provided therein.

connected; or (iv) Italian resident individuals carrying out a commercial activity, as to any capital gains realised within the scope of the commercial activity carried out.

S.I.I.Q., Real Estate Funds and Real Estate SICAFs

Any capital gain realised by an Italian S.I.I.Q. is taxable pursuant to the ordinary regime of Italian resident companies and thus will be treated as part of the taxable income of the Noteholder to be subject to Italian corporate taxation.

Any capital gain realised by a Noteholder which is an Italian Real Estate Fund or a Real Estate SICAF concurs to the year-end appreciation of the managed assets, which is exempt from any income tax according to the real estate investment fund tax treatment described above. A withholding tax may apply in certain circumstances at the rate of 26 per cent. on income realized by the participants on distributions or redemption of the units or the shares (where the item of income realised by the participants may include the capital gains on the Notes). As mentioned, in certain cases a tax transparency regime may apply in respect of certain categories of investors in the Italian Real Estate Fund and Real Estate SICAF owning more than 5 per cent. of the units or the shares.

Funds, SICAVs and SICAFs (*other than Real Estate SICAFs*)

Capital gains realised by a Noteholder which is a Fund, a SICAV or a SICAF will not be subject neither to substitute tax nor to any other income tax in the hands of the Fund, the SICAV or the SICAF. A withholding tax may apply in certain circumstances at the rate of 26 per cent. on distributions made by the Fund, the SICAV or the SICAF to certain categories of investors.

Pension Funds

Any capital gain realised by a Noteholder which is an Italian Pension Fund will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax.

Non-Italian resident Noteholders

The 26 per cent. final *imposta sostitutiva* on capital gains may be payable on capital gains realized upon sale for consideration or redemption of the Notes by non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, any capital gains realized by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy if the Notes are traded on a regulated market in Italy or abroad and, in certain cases, subject to timely filing of required documentation (in particular, a self-declaration not to be resident in Italy for tax purposes), even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

In case the Notes are not traded on a regulated market in Italy or abroad, pursuant to the provisions of Article 5 of Legislative Decree No. 461/1997, non-Italian resident beneficial owners of the Notes without a permanent establishment in Italy to which the Notes are effectively connected are exempt from *imposta sostitutiva* in Italy on any capital gain realized, upon sale for consideration or redemption of the Notes, if they are resident, for tax purposes, in a White List State as defined above.

In such case, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold the Notes with an Italian authorised financial intermediary, in order to benefit from exemption from Italian taxation on capital gains, such non-Italian residents may be required to timely file with the authorised financial intermediary an appropriate self-declaration stating they are resident for tax purposes in a White List State.

Exemption from Italian *imposta sostitutiva* on capital gains realised upon disposal of Notes not listed on a regulated market also applies to non-Italian residents who are (i) international bodies and organisations established in accordance with international agreements ratified in Italy; (ii) certain foreign institutional investors established in White List States, even if not subject to income tax therein; and (iii) Central Banks or other entities, managing also official State reserves.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Notes.

In such case, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold the Notes with an Italian authorised financial intermediary and elect for the *risparmio gestito* or are subject to the *risparmio amministrato* regime, in order to benefit from exemption from Italian taxation on capital gains, such non-Italian residents may be required to timely file, with the authorised financial intermediary, appropriate documents which include, *inter alia*, a certificate of residence issued by the competent tax authorities of the country of residence of the non-Italian residents.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-resident persons and entities in relation to Notes deposited for safekeeping or administration at Italian banks, SIMs and other eligible entities, but non-resident Noteholders retain the right to waive this regime. Such waiver may also be exercised by non-resident intermediaries in respect of safekeeping, administration and term deposit accounts held in their names in which third parties' financial assets are held.

Italian inheritance and gift tax

Under Law Decree no. 262 of 3 October 2006 (converted with amendments into Law no. 286 of 24 November 2006), as subsequently amended, transfers of any valuable asset (including shares, bonds or other securities) as a result of death or gift or gratuities are taxed as follows:

(a) transfers in favour of spouses, direct ascendants or descendants are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the entire value of the inheritance or the gift exceeding Euro l,000,000 for each beneficiary;

(b) transfers in favour of relatives within the fourth degree, ascendants or descendants' relatives in law or other relatives in law within the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the entire value of the inheritance or the gift exceeding Euro 100,000 for each beneficiary; and

(c) any other transfer is, in principle, subject to an inheritance and gift tax at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax applies on the value exceeding Euro 1,500,000 at the rates shown above, depending on the type of relationship existing between the deceased or donor and the beneficiary.

Pursuant to Article 6 Law no. 112/2016 ("*Legge sul Dopo di Noi*") as amended by Article 89, paragraph 8, Legislative Decree No.117 of 3 July 2017, asset or other rights (a) contributed to a trust, or (b) subject to a scope restriction ex Article 2645-*ter* Italian Civil Code, or (c) contributed to a special fund ruled by *contratto di affidamento fiduciario*, in favor of persons with severe disabilities, are exempt from inheritance and gift tax. Upon the death of the person with severe disabilities, inheritance and gift tax will be due by the last beneficiary of the transfer, to be specifically identified within the deed.

Transfer tax

Contracts relating to the transfer of the Notes are subject to the registration tax as follows:

(a) public deeds and notarized deeds (*atti pubblici e scritture private autenticate*) are subject to fixed registration tax at rate of Euro 200; and

(b) private deeds (*scritture private non autenticate*) are subject to fixed registration tax of Euro 200 only (i) in case of voluntary registration, or (ii) in case of cross reference in a deed, agreement or other document entered into, executed or signed by the same parties thereto and registered with the competent Registration Tax Office or in a judicial decision (*enunciazione*), or (iii) in "case of use". According to Article 6 of the Presidential Decree no. 131 of 26 April 1986, a "case of use" would

occur if the relevant document is deposited with a central or local government office or with a court chancery in connection with an administrative procedure.

Income tax

According to Article 19 of Law Decree no. 201 of 6 December 2011 ("**Law Decree no. 201/2011**"), Italian resident individuals holding financial assets – including the Notes – outside of the Italian territory are required to pay an income tax at the rate of 0.2 per cent. The tax applies on the market value at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value of such financial assets held outside of the Italian territory. Taxpayers are enabled to deduct from the tax a tax credit equal to any income taxes paid in the State where the financial assets are held (up to the amount of the Italian income tax due).

Stamp duty

According to Article 19 of Law Decree no. 201/2011, a proportional stamp duty applies on a yearly basis at the rate of 0.2 per cent. on the market value or – in the lack of a market value – on the nominal value or the redemption amount of any financial product or financial instruments (as the Notes). For investors other than individuals, the annual stamp duty cannot exceed the amount of Euro 14,000. Based on the wording of the law and the implementing decree issued by the Italian Ministry of Finance on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 9 February 2011) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Tax monitoring obligations

Pursuant to Law Decree no. 167 of 28 June 1990 individuals, non-commercial entities and non-commercial partnerships (*società semplici* or similar partnerships in accordance with Article 5 of the Italian Presidential Decree no. 917 of 22 December 1986) which are resident in Italy for tax purposes and in the course of the year hold (or are beneficial owners, as defined for anti-money laundering purposes, of) investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid and related transactions to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as the income tax return), regardless of the value of such assets (save for deposits or bank accounts having an aggregate value not exceeding Euro 15,000 throughout the year). The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

The above reporting is not required to be complied with respect to Notes deposited with qualified Italian intermediaries and with respect to contracts entered into through their intervention, *provided that* the financial flows and income derived from the Notes are subject to tax by the same intermediaries.

The Proposed Financial Transaction Tax

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transaction tax ("**FTT**") to be implemented by Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia only (the "**Participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside the Participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the FTT proposal remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement between the Issuer and the Managers dated 4 December 2017 (the "**Subscription Agreement**"), the Managers have agreed to subscribe and pay for the Notes on the Closing Date. The Issuer has agreed to pay commissions to the Managers and to reimburse certain of their expenses incurred in connection with the management of the issue of the Notes. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States of America

The Notes have not been and will not be registered under the Securities Act or any state securities laws in the United States. The Notes are being offered only outside the United States by the Managers to certain investors in offshore transactions in reliance on Regulation S, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, "U.S. persons", except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

The Managers have represented and warranted that it has not offered and sold the Notes, and that it will not offer and sell the Notes (a) as part of its own distribution at any time or (b) otherwise until forty (40) days after the later of the commencement of the offering and the Closing Date, except in accordance with Rule 903 of Regulation S. Accordingly, neither the Managers nor any of its Affiliates (as defined in Rule 405 of the Securities Act) nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Notes, and the Managers have represented and agreed that it has complied and will comply with the offering restrictions requirement of Regulation S. The Managers have agreed that, at or prior to confirmation of sale of the Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases the Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

> "*The securities covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered and sold within the United States or to, or for the account or benefit of, "U.S. persons" (i) as part of their distribution at any time or (ii) otherwise, until forty (40) days after the later of the commencement of the offering and the Closing Date, except pursuant to an exemption from, or in a transaction not subject to, the regulation requirements of the Securities Act. Terms used above have the meanings given to them by Regulation S.*"

Terms used in the above paragraph have the meanings given to them by Regulation S.

The Managers have represented, warranted and agreed with the Issuer that:

(a) except to the extent permitted under U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**D Rules**"):

  (i) it has not offered or sold, and during the forty (40) day restricted period will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person; and

  (ii) it has not delivered and will not deliver in definitive form within the United States or its possessions any definitive Notes in bearer form that are sold during the restricted period;

(b) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(c) if it is a United States person, (i) it is acquiring the Notes in bearer form for the purposes of resale in connection with their original issue and (ii) if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulation §1.163-5(c)(2)(i)(D)(6); and

(d) with respect to each Affiliate (as defined in Rule 405 of the Securities Act) of the Managers that acquires Notes in bearer form from the Managers for the purpose of offering or selling such Notes during the restricted period, the Managers undertakes to the Issuer that it will either (i) repeat and confirm the representations and agreements contained in sub-paragraphs (a), (b) and (c) on its behalf or (ii) obtain from such affiliate for the benefit of the Issuer the representations and undertakings contained in subparagraphs (a), (b) and (c) above.

Terms used in the above paragraph have the meaning given to them by the United States Internal Revenue Code of 1986 and regulations thereunder, including the D Rules.

In addition, until forty (40) days after the commencement of the offering, an offer or sale of securities within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Managers have acknowledged that the Notes will be represented upon issuance by the Temporary Global Note which is not exchangeable for Permanent Global Notes or definitive Notes until the expiration of the 40-day distribution compliance period and, for persons other than distributors, until certification of beneficial ownership of the Notes by a non-U.S. person or a U.S. person who purchased securities in a transaction that did not require registration under the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

United Kingdom

The Managers have represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Notes has not been registered with CONSOB pursuant to Italian securities legislation. The Managers have represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Any such offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time); and

(iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

General

No action has been or will be taken in any jurisdiction by the Issuer or any of the Managers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession or distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

The Managers have represented, warranted and agreed that it will, to the best of its knowledge and belief, comply with all the relevant laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus or any other offering material, in all cases at its own expense.

GENERAL INFORMATION

Authorisation

The creation and issue of the Notes has been authorised by a resolution of the Issuer's Board of Directors dated 7 November 2017.

Listing and Admission to Trading

Application has been made to the Irish Stock Exchange for the Notes to be admitted to trading on its regulated market and to be listed on the Official List. Admission is expected to take effect on or about the Closing Date.

Expenses related to Admission to Trading

The total expenses related to admission of the Notes to trading are estimated at €4,790.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on its regulated market for the purposes of the Prospectus Directive.

Legal and Arbitration Proceedings

Save as disclosed in "*Description of the Issuer – Legal Proceedings*", neither the Issuer nor any member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer or the Group.

Significant/Material Change

There has been no material adverse change in the prospects of the Issuer since 31 December 2016 and there has been no significant change in the financial or trading position of the Group since 30 September 2017.

Auditors

The consolidated financial statements of the Group as at and for the years ended 31 December 2016 and 2015 have been audited without qualification by PricewaterhouseCoopers S.p.A., which is registered under No. 119644 in the Register of Accountancy Auditors (*Registro Revisori Legali*) by the Italian Ministry of Economy and Finance, in compliance with the provisions of the Legislative Decree No. 39 of 27 January 2010. PricewaterhouseCoopers S.p.A., which is located at Via Monte Rosa 91, 20149 Milan, Italy, is also a member of ASSIREVI (the Italian association of auditing firms).

Documents on Display

For so long as the Notes remain outstanding, physical or electronic copies of the following documents may be inspected during normal business hours at the offices of the Fiscal Agent at 13th Floor Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom:

(a) the By-laws (*statuto*) of the Issuer;

(b) the Agency Agreement;

(c) the Deed of Covenant;

(d) the audited consolidated annual financial statements of the Group as at and for the years ended 31 December 2016 and 2015; and

(e) the unaudited consolidated condensed interim financial statements of the Group as at and for the six months ended on 30 June 2017.

A copy of this Prospectus and any document incorporated by reference in this Prospectus will also be available for viewing on the website of the Irish Stock Exchange (*www.ise.ie*).

Interests of natural and legal persons involved in the issue/offer

The Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the account of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Managers and their affiliates that have a lending relationship with the Issuer may routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities or instruments.

In addition, as described in "*Subscription and Sale*", the Managers will receive commission in connection with the subscription and sale of the Notes.

For the purpose of this paragraph the term "affiliates" includes also parent companies.

Yield

On the basis of the issue price of the Notes of 100 per cent. of their principal amount (plus accrued interest), the gross real yield of the Notes is the 3 month Euribor plus 1.45 per cent. on an annual basis. Such amount is not, however, an indication of future yield.

Legend Concerning US Persons

The Notes and any Coupons appertaining thereto will bear a legend to the following effect:

"*Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165*(*j*) *and 1287*(*a*) *of the Internal Revenue Code*".

ISIN and Common Code

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Notes have the following ISIN and common code assigned to them:

ISIN: XS1731881964

Common code: 173188196

ISSUER

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CO-LEAD MANAGER

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Arthur Cox Listing Services Limited
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To the Issuer as to Italian tax law:

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To the Managers as to English and Italian law:

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