

**FACTORIT S.p.A. – SOCIETA' DI FACTORING
DELLE BANCHE POPOLARI ITALIANE**

FINANCIAL STATEMENTS AT 31 DECEMBER, 2002

FACTORIT S.p.A.

Balance sheets as at 31 December, 2002 and 2001

(in thousand of Euro)

<i>Notes</i>	<i>Assets</i>	<i>2002</i>	<i>2001</i>
	Cash and bank accounts	28,641	11,632
	Receivables:		
2b, 3	Factored accounts receivables	3,038,152	2,713,953
	Less: amounts due to clients	(1,156,991)	(1,068,207)
	Advances to clients on factored accounts receivables	1,881,161	1,645,746
4	Other advances to clients	82,557	40,417
		1,963,718	1,686,163
2b, 5	Less: allowance for doubtful accounts	(50,009)	(37,837)
		1,913,709	1,648,326
6	Other short term assets	16,211	11,183
	<i>Current assets</i>	<i>1,958,561</i>	<i>1,671,141</i>
2d, 7	Net fixed assets	8,468	4,979
2e, 8	Deferred charges	1,770	2,068
2c, 9	Other investments (net of provision for write-downs)	3,000	3,089
	<i>Fixed assets</i>	<i>13,238</i>	<i>10,136</i>
	TOTAL ASSETS	1,971,799	1,681,277

FACTORIT S.p.A.

Balance sheets as at 31 December, 2002 and 2001

(in thousand of Euro)

<i>Notes</i>	<i>Liabilities and Shareholder's equity</i>	2002	2001
10	Bank overdrafts	1,745,183	1,545,174
	Short term loans	91,800	20,051
11	Other short term liabilities	27,736	19,365
12	Provision for taxes	5,979	2,964
	<i>Current liabilities</i>	<i>1,870,698</i>	<i>1,587,554</i>
2f, 13	Employees' termination entitlements	3,585	3,586
14	Subordinated loans	30,988	30,988
2b, 15	Provision for credit risks	12,076	8,520
2i	Provision for general financial risks	3,151	3,151
	<i>Medium-long term liabilities</i>	<i>49,800</i>	<i>46,245</i>
	TOTAL LIABILITIES	1,920,498	1,633,799
	SHAREHOLDERS' EQUITY		
16	Share capital	37,500	37,500
	Legal reserve	2,440	2,018
	Paid in surplus	2,410	2,410
	Extraordinary reserve	3,628	1,330
	Retained earnings	0	0
	Net income/(loss) for the year	5,323	4,220
	<i>Total Shareholders' equity</i>	<i>51,301</i>	<i>47,478</i>
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,971,799	1,681,277

The notes to the financial statements form an integral part of these balance sheets

FACTORIT S.p.A.
Income statements
for the years ended 31 December, 2002 and 2001

(in thousand of Euro)

<i>Notes</i>		2002	2001
2a, 18	Commissions from factoring and other Services rendered	29,704	24,932
	Interest received from clients	80,255	79,894
		<i>109,959</i>	<i>104,826</i>
	Interest paid on bank overdrafts and loans	(52,806)	(58,421)
	Interest received from banks	474	674
		<i>(52,332)</i>	<i>(57,747)</i>
	Factoring commission to foreign correspondents	(354)	(385)
	Brokerage commissions	(4,637)	(3,840)
		<i>(57,323)</i>	<i>(61,972)</i>
	GROSS MARGIN FROM OPERATIONS	52,636	42,854
	Salaries and social costs	(12,836)	(12,320)
19	Other operating and general expenses, net	(6,768)	(5,169)
7, 8	Depreciation and amortization	(1,256)	(1,309)
	OPERATING RESULT	31,776	24,056
	Non operating profits and losses	822	1,263
15	Provision for credit risks	(3,554)	(4,286)
5	Provision for doubtful accounts and other risks	(18,646)	(14,306)
	<i>Income/(loss) before taxes</i>	<i>10,398</i>	<i>6,727</i>
2g, 12	Income taxes	(5,075)	(2,507)
	Net income/(loss)	5,323	4,220

The notes to the financial statements form an integral part of these balance sheets

FACTORIT S.p.A.

**Statement of source and application of funds
for the years ended 31 December, 2002 and 2001
(in thousand of Euro)**

	<i>2002</i>	<i>2001</i>
<i>SOURCE OF FUNDS</i>		
Net income/(loss)	5,323	4,220
Adjustments for costs and revenues not involving movement of funds		
* Provision for doubtful accounts and general financial risks:		
Accruals	22,200	18,592
Releases	(7,649)	(3,373)
* Depreciation and amortization	1,256	1,309
* Employees' termination entitlement: accruals	537	548
Payments	(538)	(433)
• Merger of TORTONA (01), IN FACTOR (00)		
Book Value of investments:		1,899
Net assets of the merged entity:	0	(1,973)
	<i>21,129</i>	<i>20,789</i>
<i>OTHER FUNDS</i>		
Net book value of sold assets	4	14
Carrying value of investments sold	0	5,249
Increase in share capital, paid in surplus and other reserves	0	74
Increase in bank overdrafts	269,252	127,533
Paid dividend	(1,500)	(1,054)
Net increase in factoring receivables	(299,260)	(223,905)

	<i>2002</i>	<i>2001</i>
(Increase) decrease in other assets net of (decrease) increase in other liabilities	22,360	34,819
	<i>11,985</i>	<i>(36,481)</i>
<i>APPLICATION OF FUNDS</i>		
Increase in fixed assets and deferred charges	3,286	(1,433)
Cash generated/(absorbed) by operations	15,271	(37,914)
<i>CASH AND BANK BALANCES AT BEGINNING OF THE YEAR</i>	<i>(42,157)</i>	<i>(4,243)</i>
<i>CASH AND BANK BALANCES AT YEAR-END</i>	<i>(26,886)</i>	<i>(42,157)</i>

FACTORIT S.p.A.

Statements of the movements in shareholders' equity for the years ended 31 December, 2002 and 2001
(in thousand of Euro)

	<i>Share capital</i>	<i>Legal reserve</i>	<i>Extraordinary reserve</i>	<i>Paid in surplus</i>	<i>Merger Reserve</i>	<i>Net income for the year</i>	<i>Total shareholders' equity</i>
Balance at 31 December, 2000	37,341	1,819	681	2,410	0	1,987	44,238
Transfers to:							
Legal reserve		199				(199)	0
Extraordinary reserve			734			(734)	0
Dividend paid						(1,054)	(1,054)
Merger reserve					74		74
Share capital conversion	159		(159)				0
Profit(loss) for the year						4,219	4,219
Balance at 31 December, 2001	37,500	2,018	1,256	2,410	74	4,219	47,477
Transfers to:							
Legal reserve		422				(422)	0
Extraordinary reserve			2,297			(2,297)	0
Dividend paid						(1,500)	(1,500)
Share capital conversion							
Profit (loss) for the year						5,323	5,323
Balance at 31 December, 2002	37,500	2,440	3,553	2,410	74	5,323	51,300

FACTORIT S.p.A.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2002 AND 2001

1. Presentation of the financial statements

The financial statements and the supplementary statements presented on pages from 2 to 7 and the notes there to (the “*Financial statements*”) have been derived from the statutory financial statements of *FACTORIT S.p.A.* (here in after also referred to as “*the Company*”) as at 31 December, 2002 and 2001.

They have been classified in accordance with the generally accepted accounting standards established by the *Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri*. Accordingly, the presentation is different from that of the statutory financial statements which comply with the presentation rules laid down by the regulation issued by Bank of Italy.

2. Significant accounting policies

The accounting policies applied in preparing the financial statements are those laid down by the Italian legislation governing the preparation of financial statements of banks and financial institutions (Law Decree 27 January, 1992, No. 87), taking into account the interpretative regulation issued by Bank of Italy.

The main accounting principles adopted in drawing up the financial statements, are summarized below.

a) *Factoring revenue recognition*

Factoring commissions are accounted for on receipt of the credit assignments.

Interest from clients on advances is accounted for on an accrual basis.

b) *Factored accounts receivable*

Factored accounts receivable are stated at their estimated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified. Interest accruing on doubtful receivables is totally provided for until collection.

Law Decree 27 January 1992, n.87 allows bank and other financial institution to provide for the potential general credit risk associated with receivables outstanding at the year end taken as a whole. The amount of the provision is established by the Board of Directors and is shown within liabilities in accordance with law requirements.

Amounts due to clients refer to the portion of receivables not yet financed by the Company.

c) *Investments*

Investments in subsidiaries and associates are valued at cost, adjusted by an allowance in order to reflect any foreseeable other than temporary impairments. Securities are also valued at cost, based on a prudent valuation made by the Board of Directors and taking into account that the securities are not officially listed.

d) *Fixed assets*

Fixed assets are stated at cost and are depreciated at the following ordinary and accelerated rates allowed for tax purposes, applied on a systematic straight-line basis. Except for EDP, the ordinary rates are considered to substantially approximate the expected useful lives of the relevant assets. Accordingly, accelerated depreciation of other assets is recorded solely to take advantage of fiscal benefits.

The rates used are:

	Ordinary percentage	Accelerated depreciation percentage
Office furniture	12	12
Office fixtures and Air-conditioning system	15	15
Office electronic equipment	15-20	15-20
Alarm system	30	30
Motor vehicles and Other equipment (communications)	20-25	20-25
Telephone system	20	20
Lifting equipment and Electric installation	7.5	7,5
Building	3	3

Half rates are applied to addition of the year.

Non deductible VAT on fixed assets is totally charged to the income statement of the year in which the assets are purchased in order to take advantage of tax benefits.

Costs charged by the lessor on capital leases are totally charged to the income statement.

e) *Deferred charges*

Leasehold improvements are amortized straight line over the residual length of the rental contracts, while software is amortized in five years. Goodwill is amortized in ten years.

f) *Provision for employees' termination entitlement*

Accruals to the provision for employees' termination entitlement are determined on the basis of the applicable legislation provisions, which requires the accrual every year of 7,41% of wages and salaries actually paid to employees, plus revaluation and interest on the opening balances.

g) *Deferred income taxes*

Deferred income taxes are provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

The main temporary difference is related to the provisions for bad debts, which is deductible in seven years. Deferred tax assets, including those relating to the carry forward of unused tax losses, are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

h) *Transactions in foreign currencies*

Transactions in foreign currencies are initially recorded using the exchange rate prevailing on the trade date. Receivables and payables are translated at year-end exchange rates.

i) *Provisions*

Provisions are recognized to face the Company's present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

In addition article 11 of Law Decree 27 January, 1992, No. 87 allows banks and other financial institutions to provide for general financial risks potentially arising from their business. According to the law, any accrual and disposal must be charged to the income statement whereas the provision must be reported within the liabilities. The amount shown in the financial statements for the year ended 31 December, 2002 should not be considered as a provision aimed at facing identified risks currently existing at the year-end. Rather, after having deducted the relevant tax effect, it should be viewed as an equity reserve.

3. Factored accounts receivables

The balance is made up as follows:

Euro/000		
	2002	2001
Current receivables	3,003,435	2,685,417
Bills account	0	1,387
Outstanding receivables with recourse	31,994	23,067
Outstanding receivables without recourse	2,723	4,082
	3,038,152	2,713,953

Factored accounts receivables include:

Euro/000		
	2002	2001
Short term positions	1,903,651	1,656,630
Medium and long term positions	73,250	117,439
Unspecified payment term positions	1,061,251	939,884
	3,038,152	2,713,953

The nominal value of doubtful receivables amounts to 31,994 in thousand of Euro.

Receivables written off in the year amount to 7,649 in thousand of Euro and have been totally covered by using the allowance for doubtful receivables.

4. Other advances to clients

Other advances to clients include amounts financed by the Company to anticipate cash flows that will be generated from future commercial receivables ceded by clients.

The receivables arising from such commercial agreements have been ceded to the Company.

5. Allowance for doubtful accounts

The allowance consists of the tax-deductible allowance for doubtful accounts of 37,856 in thousand of Euro and the un-deductible allowance for doubtful accounts in thousand of Euro 12,153. Changes in the year were as follows:

	Euro/000
1 January 2002	37,837
Amount accrued in the year	19,821
Amount used in the year	(7,649)
31 December 2002	50,009

6. Other short term assets

In detail:

	Euro/000	
	2002	2001
Interest receivables pertaining to extension and delayed payment	4,343	2,299
Tax receivables	2,140	4,625
Deferred tax assets	3,763	2,915
Sundry receivables	4,139	1,918
Accrued income and prepaid expenses	1,826	1,663
	16,211	11,183

7. Fixed assets

Movements of the year were as follows (amounts in thousand of Euro):

	Building	Equipment	Office furniture and fixtures	Hardware and office machines	Motor vehicles	Total
Cost:						
At 31 December, 2001	3,718	238	223	690	109	4,978
Additions	3,832	10	74	400	119	4,435
Disposals					(4)	(4)
At 31 December, 2002	7,550	248	297	1,090	224	9,409
Accumulated depreciation :						
At 31 December, 2002	(119)	(85)	(100)	(526)	(111)	(941)
Net book value at 31 December 2002	7,431	163	197	564	113	8,468

Accounting for accelerated depreciation has determined an amount in Thousand of Euro 115 lower cost for the year (net of taxation) whereas the amount of accumulated accelerated depreciation at 31 December 2002 is 2,735 in thousand of Euro (determining 203 an amount in thousand of Euro lower net equity, net of taxation).

Depreciation of un-deductible VAT over the useful life of the relevant assets would have determined an amount in thousand of Euro 18 lower cost of the year and an amount in thousand of Euro 94 higher equity at 31 December 2002, both net of taxation.

8. Deferred charges

Detail is as follows (in thousand of Euro):

	Costs	Accumulated amortization	2002 Net	2001 Net
Leasehold improvements	23	(23)	0	5
Goodwill	2,387	(716)	1,671	1,909
Software licenses	345	(246)	99	154
	2,755	(985)	1,770	2,068

Goodwill arose from the merger between the company and IN FACTOR S.p.A. that took place in 1999, as the difference between Euro 11,476 (in thousand of Euro) carrying value of the investment and Euro 9,089 (in thousand of Euro) net equity of the merged company at 31 December 1999.

9. Other investments

The balance includes:

	Euro	Percentage of held
<i>INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND OTHERS</i>		
Fin-Eco Factoring S.p.A.	748,863	10
Aosta Factor S.p.A.	929,622	10
Compagnia Telematica S.r.l.	51,646	100
Euros S.p.A	15,494	-
Banca per il Leasing Italease S.p.A.	20,996	-
Istituto Centrale delle Banche Popolari Italiane	258	-
<i>TOTAL</i>	<i>1,766,879</i>	
<i>SECURITIES PORTFOLIO</i>		
Aosta Factor S.p.A. TV 99-06 (subordinated)	516,457	
Italfondario 1999-2013	614,744	
BNP Divisione Credito Fondiario OO. PP. 00 - 09	102,289	
<i>TOTAL SECURITIES</i>	<i>1,233,490</i>	
GRAND TOTAL	3,000,369	

The investment in Casacavallo S.p.A., originally amounting to Euro 1,174,939 and representing 30 % of the share capital was been totally written off in previous years.

The change of the year is mainly due to the subscription of 707 shares capital of “Banca per il Leasing – Italease” which value amounted to € 3,648.

10. Bank overdrafts

In detail:

	Euro/000	
	2002	2001
Short term loans	1,686,852	1,489,151
Banks accounts	58,331	56,023
	1,745,183	1,545,174

Loans expressed in foreign currencies are totally balanced by receivables in the same currencies. Therefore the Company is not exposed to currency risk. The amount of the existing credit lines as at 31 December, 2002 was Euro 2,194,544 (in thousand of Euro).

11. Other short term liabilities

The item mainly includes accrued expenses for a total amount of Euro 3,544,741 (principally related to interests accrued on short term liabilities and unearned interest received as advance), amounts collected on behalf of third parties for an amount of Euro 4,780,105 and payables to suppliers for an amount of Euro 3,924,224.

12. Provision for taxes

The item includes liabilities to the Revenue for current income taxes net of advances actually paid during the year.

Current taxation includes *IRPEG* (corporate tax) at 36% and *IRAP* (trading come tax) at 5,75%.

There is no pending litigation with the tax authorities. The fiscal years till 1996 are closed to inspection.

In accordance with Bank of Italy's rule issued on 3 August 1999, the Company applied the accounting principle relevant to deferred taxation.

13. Employees' termination entitlements

In accordance with Italian law No. 297 of 29 May, 1982, each employee is entitled to a termination benefit on termination of employment. Accrual of the Company's liability is based on the actual account of wages and salaries.

At 31 December, 2002, the Company employed 219 people (217 at 31 December, 2001).

14. Subordinated loans

The item relates to a subordinated loan granted by certain shareholders bearing interest at three months EURIBOR plus 0.35 b.p., payable quarterly. The loan will expire on 1 June, 2003.

15. Provision for credit risks

The provision was been set up for the first time in preparing the financial statements for the year ended 31 December 2000. The movement of the year relates to additional accruals of € 3,554,196 made in 2002.

16. Share capital

Share capital is fully authorized and paid in. It is divided in 37,500,000 shares of nominal Euro 1,00 each.

17. Commitments

The credit granted to clients for receivables without recourse amount to Euro 1,209,911,348 of which Euro 852,951,775 actually used at the year end.

The Company has entered into capital leases involving Euro 5,500,266 expense in future years. Euro 3,947,759 lease expense relates to the property currently occupied by the Company.

18. Turnover

Total turnover for 2002 amounted to 10,131,411 in thousand of Euro (8,962,456 in thousand of Euro in 2001). Turnover may be analyzed by type of operation as follows:

Euro/000		
	2002	2001
Domestic factoring	9,780,805	8,550,308
Export factoring	244,815	297,642
Import factoring	105,791	114,506
	10,131,411	8,962,456

Factoring commissions earned in the year amount to € 27,721,862 (€ 22,999,546 in 2001).

19. Other operating and general expenses, net

In detail:

Euro/000		
	2002	2001
EDP rent and maintenance	732	690
Rents and expenses	854	1,005
Legal, notary and professional expenses	1,292	2,108
Commercial and financial information and advertising	1,457	611
Bank charges	1,497	1,409
Insurance premiums	732	520
Travel expenses	1,458	1,439

Stationery and printing supplies and sundry	268	268
Taxes and dues	2,311	1,676
Other	1,152	636
	11,753	10,362
Recovery of management expenses from clients	(4,985)	(5,191)
	6,768	5,171

20. Transactions with related parties

The Company's capital is held by a number of banks and other financial institutions. Transactions with related parties are mainly represented by factoring transactions, loans and borrowing and services rendered or received.

The outstanding balances at 31 December 2002 were as follows (in EURO):

	Current bank Accounts	Loans and borrowing	Services	Factoring transactions
Istituto Centrale delle Banche Popolari Italiane S.p.A.	(1,940,995)			
Banca per il leasing Italease S.p.A.				4,941,807
Aosta Factor S.p.A.			(15,499)	658
Fin-Eco Factoring S.p.A.			(71,151)	115,995
Compagnia Telematica S.r.L.				(227,724)

Costs and revenues of the year on transactions with related parties were as follows (in Euro):

	Costs	Revenues	Net
Fin-Eco Factoring S.p.A.		299,775	299,775
Aosta Factor S.p.A.		509,025	509,025

Commitments to related parties at 31 December 2002 amount to Euro 2,700,000 represented by credit lines for factoring transactions granted to Aosta Factor S.p.A. totally used at the year end.

21. Post balance sheet events

In the year 2002, the Company is continuing its current business. There are neither significant subsequent event which require to be disclosed nor significant transactions occurred or other events that might affect the value of the classification of the assets and liabilities reported in the financial statements for the year ended 31 December 2002.

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AUDITOR'S REPORT

This report has been translated from the original which was issued in accordance with Italian practice.

To the Shareholders of
*FACTORIT S.P.A. –
SOCIETÀ' DI FACTORING DELLE BANCHE POPOLARI ITALIANE*

1 We have audited the financial statements of *FACTORIT S.P.A. – SOCIETÀ' DI FACTORING DELLE BANCHE POPOLARI ITALIANE* as of 31 December 2002. These financial statements are the responsibility of *FACTORIT S.P.A. – SOCIETÀ' DI FACTORING DELLE BANCHE POPOLARI ITALIANE*'s directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

For the opinion on the financial statements of the prior year, which are presented for comparative purposes as required by law, reference is made to our report dated 8 April 2002.

3 In our opinion, the financial statements of *FACTORIT S.P.A. – SOCIETÀ' DI FACTORING DELLE BANCHE POPOLARI ITALIANE* as of 31 December 2002 comply with the laws governing the criteria for their preparation; accordingly, they give a true and fair view of the financial position and of the results of operations of the Company.

Milan, 24 March, 2003

PricewaterhouseCoopers S.p.A.

Bruno Ardemagni
(Director)