

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

**FINANCIAL STATEMENT AT 31 DECEMBER, 2003**

**FACTORIT S.p.A. Società di factoring delle Banche Popolari Italiane**  
**Legal office: 7, Street Tortona - 20144 MILANO – Share fully paid-up capital: Euro 37,500,000**  
**Tax payer's code number and Milan's Register of enterprise: 04334940154**  
**Common summary UIC n° 28110 – Special list Bankit n° 19131**

BALANCE SHEET
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**A S S E T S (Euro)**

		<b>31.12.2003</b>		<b>31.12.2002</b>
10 CASH AND BANK		50.081		281.854
20 RECEIVABLES FROM CREDIT INSTITUTIONS		24.592.327		41.591.277
a) at sight	10.823.655		28.359.191	
b) other receivables:	13.768.672		13.232.086	
receivables in factoring transactions	13,768,672		13,232,086	
30 RECEIVABLES FROM FINANCE COMPANIES		3.677.990		13.020.756
b) OTHER RECEIVABLES	3.677.990		13.020.756	
receivables in factoring transactions	3,677,990		12,869,348	
40 RECEIVABLES FROM CLIENTS		2.895.682.588		3.048.939.010
for factoring transactions	2,895,347,288		3,048,568,297	
receivables to be collected acquired at other than nominal value	335,300		370,713	
50 BONDS AND OTHER FIXED-INCOME SECURITIES		1.161.204		1.233.490
b) CREDIT INSTITUTIONS	644.747		717.033	
c) FINANCIAL INSTITUTIONS	516.457		516.457	
70 EQUITY INTEREST		1.261.845		1.715.233
80 EQUITY INTERESTS IN GROUP COMPANIES		51.646		51.646
90 INTAGIBLE ASSETS		1.504.160		1.770.504
goodwill	1,432,036		1,670,708	
100 TANGIBILE ASSETS		8.971.536		8.467.604
130 OTHER ASSETS		16.140.812		9.890.817
140 ACCRUED INCOME AND PREPAYMENTS		1.442.836		1.825.648
a) ACCRUED INCOME	24.212		27.939	
b) PREPAYMENTS	1.418.624		1.797.709	
<b>TOTAL ASSETS</b>		<b>2,954,537,025</b>		<b>3,128,787,839</b>

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BALANCE SHEET

**LIABILITIES (Euro)**

		<b>31.12.2003</b>		<b>31.12.2002</b>
10	PAYABLES TO CREDIT INSTITUTIONS			
	a) AT SIGHT	58.098.966	1.669.478.328	55.527.317
	receivables in factoring transactions	123,113		198,031
	b) ON CREDIT WITHOUT PRIOR NOTICE	1.611.379.362		1.686.653.390
20	PAYABLES TO FINANCE COMPANIES		155.456	-
	b) ON CREDIT WITHOUT PRIOR NOTICE	155.456		-
	receivables in factoring transactions	155,456		-
30	PAYABLES TO CLIENTS		1.139.338.014	1.127.533.850
	a) AT SIGHT	4.194.842		6.876.787
	receivables in factoring transactions	4,194,842		6,876,787
	b) ON CREDIT WITHOUT PRIOR NOTICE	1.135.143.172		1.120.657.063
	receivables in factoring transactions	1,135,143,172		1,120,657,063
40	SECURED PAYABLES		18.967.345	91.799.901
	b) other secured	18,967,345		91,799,901
50	OTHER PAYABLES		41.034.853	56.650.843
60	ACCRUED LIABILITIES AND DEFFERED INCOME		3.780.882	3.544.741
	a) ACCRUED LIABILITIES	1.798.878		2.505.501
	b) DEFFERED INCOME	1.982.004		1.039.240
70	STAFF LEAVING INDEMNITY		3.762.164	3.584.606
80	PROVISION FOR RISKS AND CHARGES		7.437.659	5.979.172
	b) PROVISION FOR TAXES	7.437.659		5.979.172
90	PROVISION FOR DOUBTFUL DEBTS		14.575.442	12.075.442
100	PROVISION FOR GENERAL FINANCIAL RISKS		3.150.387	3.150.387
110	SUBORDINATE LOANS		-	30.987.414
120	SHARE CAPITAL		37.500.000	37.500.000
130	SHARE PREMIUM RESERVE		2.410.060	2.410.060

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BALANCE SHEET

**LIABILITIES (Euro)**

		<b>31.12.2003</b>		<b>31.12.2002</b>
140 RESERVES		9.515.712		6.067.455
a) LEGAL RESERVE	2.972.168		2.439.842	
d) OTHER RESERVE	6.543.544		3.627.613	
160 PROFIT CARRIED FORWARD		3		3
170 PROFIT		3.430.720		5.323.258
<b>TOTAL LIABILITIES</b>		<b>2,954,537,025</b>		<b>3,128,787,839</b>
10 GUARANTEES RECEIVABLES		-		309,874
20 COMMITMENTS		397.436.867		360.286.853

INCOME STATEMENT
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**C O S T S ( Euro)**

		<b>31.12.2003</b>		<b>31.12.2002</b>
10 INTEREST AND SIMILAR CHARGES		38.714.416		52.805.686
20 COMMISSION EXPENSE		6.060.358		6.158.689
30 LOSSES FROM FINANCIAL OPERATIONS		3.625		1.339
40 ADMINISTRATIVE EXPENSES:		23.484.337		22.573.961
a) PERSONNEL EXPENSES	13.302.555		12.836.177	
- Staff remuneration	9,104,782		8,890,429	
- Employer's contributions	2,989,181		2,917,192	
- Staff leaving indemnity	811,120		717,940	
- Old age pension	397,472		310,616	
b) OTHER ADMINISTRATIVE EXPENSES	10.181.782		9.737.784	
50 VALUE ADJUSTMENTS INTANGIBLE AND TANGIBLE ASSETS		1.222.847		1.256.208
80 PROVISION TO THE FUNDS RISKS ON CREDITS		2.500.000		3.554.196
90 VALUE ADJUSTMENTS TO RECEIVABLES AND ACCRUALS FOR GUARANTEES AND COMMITMENTS		25.346.254		18.645.804
100 VALUE ADJUSTMENTS TO FINANCIAL ASSETS		458.862		-
110 EXTRAORDINARY EXPENSES		908.656		344.222
130 INCOME TAXES		4.112.049		5.075.133
140 PROFIT		3.430.720		5.323.258
<b>T O T A L C O S T S</b>		<b>106,242,124</b>		<b>115,738,496</b>

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INCOME STATEMENT
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**REVENUES (Euro)**

		<b>31.12.2003</b>	<b>31.12.2002</b>
10 INTEREST AND SIMILAR INCOME		67.504.362	80.033.062
of which:			
- in factoring transaction	67,066,278		79,301,946
- security fixed income	36,248		43,454
20 DIVIDEND AND OTHER INCOME		533.717	204.583
b) equity interest	330.592		1.458
c) on shares in company of group	203.125		203.125
30 COMMISSION INCOME		33.535.705	30.746.817
50 REVERSALS OF RECEIVABLES WRITE-DOWN AND ACCRUALS FOR GUARANTEES AND COMMITMENTS		992.374	696.495
70 OTHER OPERATING INCOME		3.514.936	3.096.111
80 EXTRAORDINARY INCOME		161.030	961.428
<b>TOTAL REVENUES</b>		<b>106,242,124</b>	<b>115,738,496</b>

The present balance sheet is conforming to the bookkeeping recordings.

signed on behalf of the Board of Directors

***The Chairman***  
***Roberto Ruozi***

***Attachment A***

**Profit and Loss as of December 31, 2003 (Euro/000)**

	2003	2002
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<i>Incomes from:</i>		
Net commission	27,476	24,588
Financial net incomes	29,320	27,431
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GROSS MARGIN	56,796	52,019
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<i>Cost for:</i>		
Net cost for staff	13,303	12,836
Net indirect taxes and other taxes	2,436	2,309
Other administrative costs	4,231	4,333
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TOTAL NET OPERATING COSTS	19,970	19,478
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GROSS OPERATING EARNING	36,826	32,541
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Adjustments	27,313	21,504
Amortizations	1,223	1,256
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NET OPERATING EARNING	8,290	9,781
Others Incomes and losses	(748)	617
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TOTAL OPERATIVE EARNING	7,542	10,398
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EARNING BEFORE TAXES	7,542	10,398
Income taxes	4,111	5,075
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EARNING (LOSS) OF THE EXERCISE	3,431	5,323
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## ***Attachment B***

### **Financial statement (Euro/000)**

	2003	2002
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Sources of finance		
LIQUIDITY FROM ECONOMIC MANAGEMENT:		
Profit (Loss) of the exercise.	3,431	5,323
Allocation credit risk fund	27,846	22,200
Allocation tangible assets	934	944
Amortization costs to use plurennial	289	312
Allocation retirement indemnity fund	537	537
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Other sources:	33,037	29,316
Increase (decrease) Debts for banking companies And financial companies		
	(179,094)	269,252
Net Increase (decrease) Credits for factoring	148,523	(299,260)
Increase (decrease) Other Activities net of decrease (increase)		
Other Liabilities	(19,637)	22,360
Book value transferred assets	2	4
Net decrease Fixed Activities	(936)	(4.363)
<hr/>		
TOTAL SOURCES	(18,105)	17,309
=====		
EMPLOYMENT OF FUNDS		
Utilization of retirement indemnity fund	359	538
Dividends	1,875	1,500
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TOTAL INVESTMENTS	2,234	2,038
=====		
Net Liquid assets year's starting	(26,886)	(42,157)
Net Liquid assets year's ending	(47,225)	(26,886)
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*Attachment C***Plan fluctuation Net Worth accounts (Euro/000)**

<i>Description</i>	<i>Share Capital</i>	<i>Legal Reserve</i>	<i>Extraordinary Reserve</i>	<i>Issues Premium</i>	<i>Fusion rest Reserve</i>	<i>operating profit</i>	<i>Total</i>
Settlement at 31.12.2000	37,341	1,819	681	2,410	--	1,987	44,238
Variations:							
* destination profit	--	199	734	--	--	(1,987)	(1,054)
Conversion Share Capital	159		(159)	--	74		74
* Operating profit 2001	--	--		--	--	4,219	4,219
Settlement al 31.12.2001	37,500	2,018	1,256	2,410	74	4,219	47,477
Variations:							
* destination profit	--	422	2,297	--	--	(4,219)	(1,500)
* Operating profit 2002	--	--		--	--	5,323	5,323
Settlement at 31.12.2002	37,500	2,440	3,553	2,410	74	5,323	51,300
Variations:							
* destination profit	--	532	2,916	--	--	(5,323)	(1,875)
* Operating profit 2003	--	--		--	--	3,431	3,431
Settlement at 31.12.2003	37,500	2,972	6,469	2,410	74	3,431	52,856

## **Notes to the financial statements as at 31 December 2003**

The financial statements, audited by PricewaterhouseCoopers S.p.A., have been drawn up in compliance with the provisions of Legislative Decree No. 87 of 27 January 1992, the instructions reported in the *Provvedimento* (regulation) issued by the Banca d'Italia on 31 July 1992 and subsequent amendments, including those introduced by the *Provvedimento* dated 7 August 1998 concerning the Euro and the *Provvedimento* dated 3 August 1999 setting forth guidelines for accounting for deferred taxes.

These Notes to the financial statements are an integral part of the financial statements as at 31 December 2003 and are subdivided as follows:

- 1) Section A – Accounting policies**
- 2) Section B – Balance sheet**
- 3) Section C – Income statement**
- 4) Section D – Additional disclosures.**

### **Section A – Accounting policies**

#### **1. General**

The accounting policies applied conform to the principle of prudence and the going concern basis of accounting and are consistent with those used in prior periods.

The financial statements have been drawn up with regard, where possible, to the economic substance of the transactions rather than their legal form and to the settlement date rather than the negotiation date.

#### **2. Receivables**

Receivables collectible at sight are stated at nominal value.

Forward receivables or receivables collectible with notice are stated at purchase value and valued at estimated recoverable amount, determined on the basis of the debtors' solvency by a direct adjustment to the value of the account receivable.

Receivables for late payment interest of the period are stated for the recoverable amount and are accrued in the related provision.

Receivables denominated in foreign currency are valued at the exchange rates ruling on 31 December 2003.

Exchange differences have been taken entirely to the income statement of the period.

#### **3. Equity interests and securities**

Equity interests are accounted for at purchase cost, adjusted for impairment losses, if any. Bonds are stated at purchase cost, corresponding to nominal value.

#### 4. Intangible assets

Intangible assets are stated at cost less accumulated amortisation which is computed, in the case of software costs, on a straight-line basis over a period of five years, and in the case of costs for fitting out offices, over the term of the related lease.

The merger deficit attributable to the goodwill of the merged entity In Factor S.p.A., paid at the time the latter was acquired (in 1999), was distributed on a straight-line basis over a period of ten years which is the period during which it is expected to generate economic benefits.

Intangible assets are capitalised with the consent of the Board of statutory auditors (*Collegio Sindacale*), with whom, moreover, the amortisation method has been agreed.

#### 5. Tangible assets

Tangible assets are stated at cost, including accessory charges, less depreciation allowances computed at the ordinary rates and tax-driven accelerated depreciation (accelerated depreciation in excess of the technical rates, recorded to obtain the related tax benefit) computed within the limits allowed by the fiscal laws, a criterion that substantially reflects the estimated utilisation of the asset.

The rates applied are the following:

<i>Asset category</i>	<i>Ordinary depreciation</i>	<i>Tax driven accelerated depreciation</i>
Buildings	3%	-
Furniture and fittings	12%	-
Fixtures	15%	-
Office machines	20%	20%
Machinery and equipment	15%	15%
EDP	20%	20%
Cars	25%	25%
Lorries	20%	20%
Alarm system	30%	-
Telephone installations	20%	-
Electrical installations	7.5%	-
Elevators	7.5%	-
Air conditioning	15%	-
Special internal installations	25%	-

except for additions of the period, where half rates are applied.

Moreover, for the categories “Fixtures”, “Furniture” and “Installations”, accelerated depreciation is accounted for within the limits allowed by the fiscal laws in force.

The costs incurred for the restructuring, now complete, of the “ex silos” area of the property in Milan have been depreciated and are stated within the category “Buildings”, as has been the cost of the premises in Rome, purchased for use as offices and now in use.

#### **6. Prepayments, accruals and deferrals**

Prepayments, accruals and deferrals represent time-based apportionments of income and expenditure items that relate to more than one accounting period; where technically appropriate and feasible, they have been directly deducted from or added to the values of the corresponding items.

The related values have been agreed with the Board of statutory auditors.

#### **7. Payables**

Payables are stated at nominal value.

In particular, payables to assignors for factoring transactions are stated net of payments of proceeds from the assigned receivables.

Payables denominated in foreign currency are valued at the exchange rates ruling on 31 December 2003.

Exchange differences have been taken entirely to the income statement of the period.

#### **8. Staff leaving indemnity (*Trattamento di fine rapporto*)**

This reflects the liability to all employees computed in compliance with article 2120 of the Civil Code and Law No. 297 of 29 May 1982.

#### **9. Provision for risks and charges**

This heading relates to provisions posted exclusively for specific liabilities that are certain or probable; the balances do not exceed the estimated values of the related charges.

#### **10. Provision for general financial risks**

This provision covers the financial risks specific to the corporate business.

The balance of accruals to and releases from the provision is reported on a specific line in the income statement.

#### **11. Recognition of revenue and costs**

Income and expense relating to interest and similar items are accounted for on an accrual basis.

Income from commissions relating to the assignment of receivables is accounted for at the time of the transaction, if one-off, or in the period to which it relates, if received at regular intervals.

## **12. Dividends**

Dividends distributed by investees are accounted for as received.

## **13. Exchange differences**

We point out that a factoring transaction is executed by the assignment of the receivable, which gives rise, at the same time, to an account payable and an account receivable of the same amount, which in turn originate exchange gains and losses of the same amount.

The same occurs with advances in foreign currency paid against assigned receivables because, as a rule, an advance in foreign currency corresponds to a purchase of the same currency.

Exchange gains or losses, of very small value, are therefore limited to differences occurring between the billing date of commissions denominated in foreign currency and the balance sheet date.

## **14. Deferred taxes**

In relation to the *Provvedimento* issued by the Governor of Banca d'Italia on 3 August 1999, published on the Official Journal of the Italian Republic, issue 188 of 12 August 1999, the principle relating to the accounting treatment of deferred taxes is applied.

Deferred tax assets originate mostly from deductible temporary differences and represent taxes paid in advance as a result of the deferral, in deductibility, of costs recorded in the income statement which will be recovered in future periods when the related revenues are taxed.

Deferred tax assets are stated if a reasonable certainty exists that they will be recovered, to be assessed with reference to estimated future earnings.

In application of the accounting principle that requires the recognition of deferred taxes we have adopted the following treatment for deferred tax assets, with the following limitations:

- Existence of taxable income in future years over a time horizon that takes into account the existence of corresponding business plans;
- Recognition of deferred tax assets originating solely from costs already recorded in the income statement whose future deductibility is reasonably guaranteed by the existence of taxable income.

The recognition of deferred tax assets generates extraordinary income that is allocated to the extraordinary reserves which, in turn, for reason of prudence, become unavailable for a corresponding amount.

## **Consolidated financial statements**

The company has one controlling interest, in Compagnia Telematica S.r.l.

Because the balance sheet and income statement of the subsidiary show immaterial amounts relative to values reported in the holding company’s financial statements, in accordance with article 29, item 1, point a), of Legislative Decree No. 87 of 27 January 1992 we do not consider it necessary to draw up consolidated financial statements. However, these financial statements provide the main information on the operations of the subsidiary, whose balance sheet and income statement are attached hereto.

<b>Section B – Balance sheet</b>
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<b>1. Assets</b>
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***Line 10 – Cash and bank***

The balance totalled Euro 50,081 as at 31 December 2003, versus Euro 281,854 as at 31 December 2002.

It includes Euro 39,626 in credit balances on postal accounts and Euro 10,455 in cash and stamps.

***Line 20 - Receivables from credit institutions***

Receivables from credit institutions totalled Euro 24,592,327 as at 31 December 2003, versus Euro 41,591,277 as at 31 December 2002.

For an amount of Euro 10,823,655 they include occasional and temporary cash holdings at credit institutions which originated substantial receipts at year end.

The remaining Euro 13,768,672 includes: Euro 10,582,588 in receivables acquired in factoring transactions; Euro 460,948 in amounts advanced to assignors on behalf of credit institutions in the context of pool-managed factoring transactions; Euro 257,418 in receivables assigned in the past by S.G.C. S.p.A. Società Gestione Crediti in the framework of the sale of the equity interest in that entity; the remaining Euro 2,467,718 relates to the estimated recoverable amount of the receivables assigned by S.G.C. S.p.A. Società Gestioni Crediti, representing the value of commissions earned under a specific agreement to manage mortgage loans in litigation, entered into by the above-mentioned entity with a credit institution operating in this market segment.

The latter amount takes into account prudent adjustments of Euro 1,194,227, determined in light to the estimated amount and time of receipt.

In the course of 2003 the net nominal value of these assigned receivables reduced from Euro 4,314,024 to Euro 3,661,945 as a result of receipts of Euro 652,079.

Moreover, items due at the balance sheet date and still unpaid amounted to Euro 511 thousand.

*“Notes to the financial statements as at 31 December 2003” continued*

As specified in preceding financial statements, another agreement exists whereby, in light of the different business purpose of the debtor, the related estimated recoverable amount has been recorded on line 40 “Receivables from clients”.

Receivables from credit institutions may be analysed by date due as follows:

<i>Due date</i>	<i>Gross value</i>	<i>Direct adjustment</i>	<i>Net book value</i>
Short-term receivables			
within 3 months	6,219,181	-	6,219,181
between 3 months and 1 year	1,531,956	-	1,531,956
between 1 and 5 years	-	-	-
beyond 5 years	-	-	-
indeterminate (*)	7,211,762	1,194,227	6,017,535
<i>Total</i>	<i>14,962,899</i>	<i>1,194,227</i>	<i>13,768,672</i>

(\*) This category therefore includes the remaining receivables assigned by S.G.C. S.p.A. Società Gestione Crediti and relating to the first agreement mentioned above; the amount of Euro 2,831,451 relating to overdue receivables, assigned in the context of factoring transactions; Euro 257,418 relating to receivables assigned in the past by S.G.C. S.p.A. Società Gestione Crediti in the framework of the sale of the equity interest; and Euro 460,948 representing the balance of advances paid to assignors on behalf of credit institutions in the context of pool-managed factoring transactions.

As concerns receivables relating to the mortgage loan agreement, in light of the work performed, based on the known status of the mortgages and the time reasonably necessary to settle the accounts, we have drawn up a new rough estimate – subject, as such, to possible write-down in future periods in relation to developments in the individual accounts – of receipts from the aforementioned agreement, which at present can be detailed as follows:

• year 2004	Euro	587	thousand
• years 2005/2006	Euro	798	thousand
• years 2007/2008	Euro	689	thousand
• years 2009/2010	Euro	268	thousand
• beyond 2010	Euro	813	thousand
• Total	Euro	3,155	thousand

It should be noted that the value relating to year 2004 includes items in payment for an amount of Euro 4 thousand.

The amount of Euro 257,418 relates to the assignment of receivables for a total of Euro 2,646 thousand, executed in 2001 with S.G.C. S.p.A. Società Gestione Crediti in the framework of the sale of the equity interest in this entity.

The remaining balances of the other receivables relating to that sale have been recorded, in the accounts acquired without recourse, on Lines 30 “Receivables from finance companies” and 40 “Receivables from clients” depending on the business purpose of the counterparty.

***Line 30 - Receivables from finance companies***

*“Notes to the financial statements as at 31 December 2003” continued*

Receivables from finance companies amounted to Euro 3,677,990 as at 31 December 2003, versus Euro 13,020,756 as at 31 December 2002 and comprise Euro 3,629,158 in receivables from assigned debtors; Euro 15,367 in receivables for services rendered, whereof Euro 14,767 from the investee Aosta Factor S.p.A. and Euro 600 from the investee Fin-eco Factoring Spa; Euro 33,465 in amounts advanced to assignors on behalf of Aosta Factor S.p.A. in the context of a pool-managed factoring transaction, where Factorit acts as lead manager; and Euro 159,080 in receivables, entirely provided for, assigned by S.G.C. S.p.A. Società Gestione Crediti, as specified in the comment to Line 20 “Receivables from credit institutions”.

They may be analysed by date due as follows:

<i>Due date</i>	<i>Gross value</i>	<i>Direct write-down</i>	<i>Net book value</i>
Short-term receivables			
within 3 months	2,912,195	-	2,912,195
between 3 months and 1 year	389,052	-	389,052
between 1 and 5 years	1,368	-	1,368
beyond 5 years	-	-	-
indeterminate (*)	534,455	159,080	375,375
<i>Total</i>	<i>3,837,070</i>	<i>159,080</i>	<i>3,677,990</i>

***Line 40 - Receivables from clients***

Receivables from clients totalled Euro 2,895,682,588 as at 31 December 2003, versus Euro 3,048,939,010 as at 31 December 2002, as detailed below:

<i>Description</i>		<i>Nominal or purchase amount</i>	<i>Value adjustments</i>	<i>Net book value</i>
Short-term receivables from assigned debtors		2,814,407,873	21,426,702	2,792,981,171
Advances exceeding assigned receivables		10,783,680	-	10,783,680
Invoices and credit notes to be issued on advances exceeding the value of assigned receivables		140,125		140,125
Other advances, including:		53,425,025	-	53,425,025
- Advances against future assignments of receivables	43,800,731			
- Other loans	8,732,230			
- Advances against receivables reported to the Bank of Italy	27,131			
- Advances against receivables not yet formally assigned	864,933			
Invoices and credit notes to be issued on other advances		58,950	-	58,950
Receivables for commissions to be collected		4,941,416	991,269	3,950,147
Receivables with delayed payment		1,157,680	241,807	915,873
Receivables acquired without recourse		7,558,817	2,445,780	5,113,037
Receivables from assigned debtors for watchlist accounts		1,674,350	665,869	1,008,481



*“Notes to the financial statements as at 31 December 2003” continued*

Receivables from non-performing debtors for assigned receivables		2,202,853	1,721,517	481,336
Receivables from non-performing debtors for commissions		30,927	30,927	-
Receivables from non-performing assignors		37,067,673	10,548,822	26,518,851
Credit notes to be issued on non-performing assignors		-29,388	-	-29,388
Receivables from debtors for late payment interest		1,439,015	1,439,015	-
Receivables from assignors for late payment interest		704,310	704,310	-
Receivables from non-performing debtors for late payment interest		60,206	60,206	-
Receivables from non-performing assignors for late payment interest		2,503,126	2,503,126	-
Receivables to be collected acquired at other than nominal value		335,300	-	335,300
<i>Total</i>		<i>2,938,461,938</i>	<i>42,779,350</i>	<i>2,895,682,588</i>

All receivables are stated at nominal value or purchase cost, adjusted to estimated realisable value by a write-down.

This is determined using the following method:

- On an item-by-item basis for all non-performing or unpaid accounts where a loss is expected;
- On a lump-sum basis for uniform categories of receivables, classified under the caption indeterminate due date, from debtors, reclassified in groups by type of product, for which historical data over a period of five years show an unfavourable trend. The shorter time horizon considered in establishing the historical data, relative to the longer period previously used of 10 years, was introduced because it was considered more appropriate to compute the value of the write-down.

It is held besides more correct for the determination of the quota lump sum related to the "without recourse" to consider, as factor of calculation, the part not yet object of payment anticipated of the correspondent one of the guaranteed credits, as it results to the Voice 20 "Appointments", rather than their nominal value.

The new criterion is also motivated by the fact that the quota object of payment anticipated of the correspondent one it is already considered as element of calculation in the determination of the quota lump sum related to the effected anticipations.

It is besides unchanged the criterion of survey of the other factor gotten on the base of the arithmetic average of the last five years of the relationships percentages, divided for homogeneous category of product, among the losses defined of the exercise and the respective amounts, to end year, of the credits surrendered guaranteed for the "without recourse" and of the anticipations for the "with recourse".

*“Notes to the financial statements as at 31 December 2003” continued*

Lump-sum write-downs were posted for the uniform categories of receivables referred to in article 20, items 5) and 7), of Legislative Decree No. 87 of 27 January 1992, for a total of Euro 10,598,848.

We herewith underline that, if the new calculation methodology had been also adopted in the previous exercises, the bad and doubtful debt fund lump sum as of 31 December 2001 and 2002 would have been inferior respectively to 1.623 thousand Euro and to 4.702 thousand Euro.

The profit of the 2002 and 2003 exercises, tax effect deducted, would have been respectively superior to 1.913 thousand Euro and inferior to 2.950 thousand Euro, while equity as of 31 December 2001 and 2002, tax effect deducted, would have been respectively superior to 1.018 thousand Euro and to 2.950 thousand Euro.

We further point out that lump sum allowance for bad debts of the exercise has been to a large extent balanced by provisions for liabilities Voice 90 "Bad and Doubtful Debt Fund" of a gross amount of 2.500 thousand Euro, corresponding to a tax-effect-deducted value of 1.569 thousand Euro.

As at 31 December 2003 lawsuits had been instituted seeking the revocation of certain transactions with now bankrupt firms, for which, based on the known status of the legal proceedings, the opinions of legal counsels and the documentary evidence submitted to support our case, we estimate a potential risk of about Euro 2,800 thousand.

Receivables for late payment interest, totalling Euro 5,673,497, have been written off entirely.

The total balance on Line 40 is analysed by date due as follows:

<i>Due date</i>	<i>Gross value</i>	<i>Direct write-down</i>	<i>Net book value</i>
Short-term receivables:			
within 3 months	1,559,545,626	-	1,559,545,626
between 3 months and 1 year	236,811,419	-	236,811,419
between 1 and 5 years	63,362,371	-	63,362,371
beyond 5 years	913,850	-	913,850
indeterminate (*)	1,077,828,672	42,779,350	1,035,049,322
<i>Total</i>	<i>2,938,461,938</i>	<i>42,779,350</i>	<i>2,895,682,588</i>

Amounts classified under the caption indeterminate due date include, inter alia, advances exceeding the value of assigned receivables, advances against receivables where the assignment has not yet been formally executed and against future receivables and/or contracts.

Accounts acquired without recourse include the estimated realisable value of assigned receivables, representing the value of commissions earned from the second agreement referred to above in the comments to Line 20 "Receivables from credit institutions".

The nominal value of those receivables decreased in the course of 2003 as a result of receipts of Euro 718,835, from Euro 7,417,954 to Euro 6,699,119, which value was prudently written down, also in relation to the estimated timing of the cashflows, by Euro 1,619,609.

As concerns receivables relating to the aforementioned agreement, in light of the work performed, based on the known status of the mortgages and the time reasonably necessary to settle the accounts, we have drawn up a new rough estimate – subject, as such, to possible write-down in future periods in relation to developments in the individual accounts – of receipts from the aforementioned agreement, which at present can be detailed as follows:

- Year 2004                      Euro    2,325 thousand
- Year 2005                      Euro    2,954 thousand
- Year 2006                      Euro    1,053 thousand
- Beyond 2006                 Euro     367 thousand
- Total                             Euro    6,699 thousand.

The value relating to year 2004 includes items in payment for an amount of Euro 818 thousand.

Finally, it should be noted that as at 31 December 2003 credit notes against receivables where the assignment has not yet been formally executed amounted to Euro 1,002,593.

### ***Non-performing receivables***

Non-performing receivables, suitably written down, amounted to Euro 26,970,799 as at 31 December 2003.

They are written down to estimated realisable value by a direct adjustment to the nominal value, as follows:

<i>Description</i>	<i>Gross value</i>	<i>Direct write-down</i>	<i>Net book value</i>
<i>Non-performing, with recourse</i> Domestic market	33,558,038	10,443,072	23,114,966
<i>Non-performing, with recourse</i> Export market	3,480,247	105,750	3,374,497
<i>Non-performing, without recourse,</i> whereof:	2,233,780	1,752,444	481,336
• Domestic market	2,018,223	1,579,338	438,885
• Import market	215,053	172,602	42,451
• Export market	504	504	-
<i>Total</i>	<i>39,272,065</i>	<i>12,301,266</i>	<i>26,970,799</i>

The gross value of non-performing receivables with recourse represents the amount advanced to the assignors, whereas the amount receivable from the assigned debtors as at 31 December 2003 amounted to Euro 92,582,058.

*“Notes to the financial statements as at 31 December 2003” continued*

At the balance sheet date, provisions for risks relating to receivables and late payment interest were as follows:

<i>Description</i>	<i>Write-downs of receivables as per art. 71 of D.P.R. No.917</i>	<i>Taxed write-downs of receivables</i>	<i>Write-downs of late payment interest</i>	<i>Total</i>
<i>Balance as at 31 Dec. 2002</i>	46,172,899	14,735,721	7,128,386	68,037,006
<i>Utilisation</i>	35,720,272	-	4,029,892	39,750,164
<i>Increases</i>	17,200,000	10,646,254	2,575,003	30,421,257
<i>Write-downs of receivables as at 31 Dec. 2003</i>	27,652,627	25,381,975	5,673,497	58,708,099

***Line 50 – Bonds and other fixed-income securities***

Securities held as at 31 December 2003, all not listed, have been classified, as in the past, within fixed assets because they relate to long-term investments.

The balance as at 31 December 2003 amounted to Euro 1,161,204, versus Euro 1,233,490 as at December 31, 2002.

It is detailed as follows:

<i>Securities</i>	<i>Number of bonds</i>	<i>Nominal value</i>	<i>Total nominal value</i>
<i>Italfondario (currently Centrobanca) series A06 - 3.25% 01.01.1999/01.01.2013</i>			562,362
<i>BPN – Divisione Credito Fondiario e delle OO.PP. 3.25% 2000/2009</i>			82,385
<i>Total securities issued by credit institutions</i>			644,747
<i>Subordinated convertible debenture loan issued by Aosta Factor S.p.A. variable interest rate (Euribor at 6 months + 0.35% div. 360; coupon 2.495%) 01.10.1999/01.10.2006</i>	10	51,645	516,457
<i>Total securities issued by finance companies</i>			516,457
<i>Total Securities</i>			1,161,204

Changes during the period were as follows:

<i>Beginning balance</i>	1,233,490
<i>Purchases</i>	-
<i>Repayments</i>	72,286
<i>Ending balance</i>	1,161,204

**Line 70 - Equity interests**

Equity interests in companies other than subsidiaries amounted to Euro 1,261,845 as at 31 December 2003, versus Euro 1,715,233 as at 31 December 2002.

The balance reflects an impairment write-down, equal to Euro 458,862, of the interest in Fin-eco Factoring S.p.A., which became necessary as a result of the loss reported by this entity for the year ended 31 December 2003.

This naturally resulted in a reduction of the equity of the investee and a related impairment of Factorit’s equity interest, which was later sold in the course of 2004 for a consideration, already received, of Euro 290 thousand, corresponding to the net book value.

Equity interests are analysed by business purpose of the investee as follows:

<i>Equity interests</i>	<i>Percentage owned</i>	<i>Shares number</i>	<i>Value per share Euro</i>	<i>Total net carrying value Euro</i>
<i>In credit institutions:</i>				
Banca per il leasing - Italease S.p.A.	n.s.	5,305	5.16	26,471
Istituto Centrale delle Banche Popolari Italiane S.p.A.	n.s.	1,000	3.00	258
<i>Total Equity interests in credit institutions</i>				<i>26,729</i>
<i>In finance companies:</i>				
Aosta Factor S.p.A.	10%	2,000	517.00	929,622
Fin-Eco Factoring S.p.A.	10%	115,000	5.16	290,000
<i>Total Equity interests in finance companies</i>				<i>1,219,622</i>
<i>In other companies</i>				
Euros Consulting S.p.A.	n.s.	27,678	0.52	15,494
<i>Total Equity interests in other companies</i>				<i>15,494</i>
<i>Total Equity interests</i>				<i>1,261,845</i>

We point out that in the course of 2003 Factorit subscribed a capital increase in Banca per il leasing - Italease S.p.A. for 1,061 shares, for which it paid Euro 5,475.

The interest in Casacavallo, which had been entirely written off in the past, was sold in the course of 2003; the sale generated a gain for an immaterial amount.

**Line 80 - Equity interests in Group companies**

The only controlling interest, in Compagnia Telematica s.r.l., was carried at Euro 51,646 as at 31 December 2003.

*“Notes to the financial statements as at 31 December 2003” continued*

Herebelow we provide information on this entity:

<i>Legal name</i>	<i>Year end</i>	<i>Equity</i>	<i>Profit for the period</i>	<i>Carrying value</i>	<i>Percentage owned</i>	<i>Difference</i>
Compagnia Telematica S.r.l.	31 Dec. 2003	145,054	72,102	51,646	100%	165,510

***Line 90 - Intangible assets***

Intangible assets amounted to Euro 1,504,160 as at 31 December 2003, a decrease of Euro 266,344 on Euro 1,770,504 as at 31 December 2002.

Changes during the period were as follows:

<i>Description</i>	<i>Beginning balance</i>	<i>Additions</i>	<i>Amortisation</i>	<i>Ending balance</i>
Software costs	99,796	22,677	50,349	72,124
Goodwill	1,670,708	-	238,672	1,432,036
<i>Total</i>	<i>1,770,504</i>	<i>22,677</i>	<i>289,021</i>	<i>1,504,160</i>

The amount of Euro 1,504,160 includes the remaining value still to be amortised, equal to Euro 1,432,036, of goodwill relating to In Factor S.p.A.

At the balance sheet date value adjustments totalled Euro 1,134,309, subdivided as follows: software costs Euro 179,619 and goodwill Euro 954,690.

***Line 100 - Tangible assets***

Tangible assets amounted to Euro 8,971,536 as at 31 December 2003, versus Euro 8,467,604 as at 31 December 2002.

Changes during the period were as follows:

<i>Asset category</i>	<i>Beginning balance</i>	<i>Additions</i>	<i>Disposals, retirements and other decreases of the period</i>	<i>Depreciation allowance</i>	<i>Ending balance</i>
Fixtures	101,614	35,679	-	37,476	99,817
Furniture and fittings	95,054	138,854	-	52,439	181,469
EDP	516,172	266,625	19	420,252	362,526
Office machines	33,067	12,114	-	24,754	20,427
Machinery and equipment	14,555	-	-	10,179	4,376
Telephone installations	27,991	14,609	-	30,036	12,564
Electrical installations	91,101	-	-	26,169	64,932
Elevators	23,388	-	-	7,017	16,371
Air conditioning	14,629	4,822	-	6,803	12,648
Alarm systems	2,332	16,004	-	6,953	11,383
Special internal installations	3,043	1,290	-	3,366	967
Vehicles	113,554	135,951	1,095	112,872	135,538
Buildings	5,494,850	2,745,552	-	195,352	8,045,050
Buildings under construction	1,936,254	677,181	2,609,967	-	3,468

*“Notes to the financial statements as at 31 December 2003” continued*

Business operating assets of unit value higher than Euro 516		158		158	-
<i>General total</i>	<i>8,467,604</i>	<i>4,048,839</i>	<i>2,611,081</i>	<i>933,826</i>	<i>8,971,536</i>

At the balance sheet date value adjustments totalled Euro 7,573,103, detailed as follows: Euro 634,291 posted to fixtures, Euro 1,011,893 to furniture and fittings, Euro 3,043,717 to EDP, Euro 195,777 to office machines, Euro 104,018 to machinery and equipment, Euro 331,691 to telephone installations, Euro 38,203 to alarm systems, Euro 72,219 to special internal installations, Euro 413,963 to vehicles, Euro 278,536 to electrical installations, Euro 77,182 to elevators, Euro 348,223 to air conditioning systems, Euro 5,427 to business operating assets of unit value lower than Euro 516, and Euro 1,017,963 to buildings.

In the course of 2003 the restructuring was completed of the “ex-silos” area located within the property complex in Milan that is partly owned by Factorit.

Part of the premises in Rome, purchased in 2002, became ready and were put into use as offices.

***Fixed-income securities and receivables subject to subordination clause***

As at 31 December 2003 the only item subject to subordination clause was the convertible debenture loan issued by Aosta Factor S.p.A., specified on Line 50 “Debentures and other fixed-income securities”.

***Line 130 – Other assets***

The balance amounted to Euro 16,140,812 as at 31 December 2003, versus Euro 9,890,817 as at 31 December 2002.

It is detailed as follows:

<i>Description</i>	<i>Amount</i>
Treasury for taxes	13,204,091
Correspondents for commissions to be charged	205,718
Bills in collection	2,623,173
Receivables for goods and services	1,092
Receivables for advance payments of stamping machines	7,579
Guarantee deposits	27,373
Advances to suppliers	55,692
Other amounts to be credited and other items	16,094
<i>Total</i>	<i>16,140,812</i>

The line “Bills in collection” relates to assigned receivables to be collected by means of *Ricevute Bancarie* and other bills receivable where the amount has already been paid to the assignor under usual reserve but the related bank receipt has not yet been received from the bank.

The line “Treasury for taxes” includes the remaining balance of Euro 7,010,660 of deferred tax assets; this value originates from the movements reported below:



*“Notes to the financial statements as at 31 December 2003” continued*

<i>Description</i>	<i>IRPEG (corporation tax)</i>	<i>IRAP (trade income tax)</i>
<i>Balance as at 31 December 2002</i>	3,344,796	418,100
<i>Increases</i>	3,641,873	469,029
<i>Decreases</i>	775,883	87,255
<i>Balance as at 31 December 2003</i>	6,210,786	799,874

Deferred tax assets have been computed at the rates in force for IRPEG and IRAP, considering changes already known to be introduced in future, as follows:

<i>Year</i>	<i>IRPEG rate</i>	<i>IRAP rate</i>
2004 and subsequent years	33%	4.25%

Deferred tax assets are analysed by year of reversal for IRPEG and IRAP purposes as follows:

<i>Year</i>	<i>IRPEG</i>	<i>IRAP</i>
2004	1,051,582	135,431
2005	867,488	111,722
2006	768,653	98,993
2007	671,199	86,442
2008	639,046	82,301
2009	639,046	82,301
2010	639,046	82,301
2011	544,363	70,110
2012	390,363	50,273
<i>Total</i>	6,210,786	799,874

The increase in deferred tax assets during the period generated extraordinary income that was allocated to the extraordinary reserve, which became unavailable for a total amount of Euro 7,010,660.

The recently introduced change in the IRPEG tax rate entailed the recalculation of deferred tax assets of prior periods, which gave a difference of Euro 77,846 that was recorded within “Extraordinary expenses” in the income statement.

***Line 140 – Accrued income and prepayments***

Accrued income amounted to Euro 24,212 as at 31 December 2003 (27,939 as at 31 December 2002). It relates entirely to interest accruing on bonds.

Prepayments amounted to Euro 1,418,624 as at 31 December 2003 (1,797,709 as at 31 December 2002) and are detailed as follows:

*“Notes to the financial statements as at 31 December 2003” continued*

<i>Description</i>	<i>Amount</i>
Costs of commercial intelligence	425,933
Insurance	368,979
Canteen replacement service, termination incentives, bursaries and similar	20,065
Travel, fuel and car operation expenses, car hire	8,548
Telephone expenses, financial information, stationery and consumables, newspapers and magazines, association dues, road taxes	23,746
Advertising and promotion	4,666
Commissions relating to the issuance of the debenture loan	127,250
Commissions for arranging the pool	193,278
Commissions on guarantees received	14,784
Property leases, rents and shared expenses	107,993
Software, EDP operation and maintenance fees, maintenance of machinery and equipment, data transmission	58,188
Interest and commissions on credit policies	65,194
<b>Total</b>	<b>1,418,624</b>

<b>2. Liabilities</b>
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***Line 10 - Payables to credit institutions***

The balance amounted to Euro 1,669,478,328 as at 31 December 2003 (1,742,180,707 al 31 December 2002).

It may be analysed as follows:

<i>Description</i>	<i>Amount</i>
Current account overdrafts	57,975,853
Factoring payables	123,113
Advances under usual reserve against <i>Ricevute Bancarie</i> or RID (pre-authorised payments)	315,365,062
Advances against invoices	26,700,000
Advances in foreign currencies	6,572,452
Hot money	847,551,000
Advances for pool-managed transactions	370,000,000
Other short-term borrowings	45,023,000
Loans received as lead manager for advances disbursed for per pool-managed transactions with credit institutions (**)	167,848
<b>Total</b>	<b>1,669,478,328</b>

(\*\*) The corresponding entry to part of this amount is advances to assignors on “Line 20” within assets.

*“Notes to the financial statements as at 31 December 2003” continued*

It should also be noted that hot money includes a loan of Euro 20,000,000 at a fixed Euro rate, for which the lender obtained dollars for a corresponding amount, with a forward contract to hedge the exchange rate risk.

Payables to credit institutions are analysed by date due as follows:

<i>Due date</i>	<i>Amount</i>
at sight	58,098,966
within 3 months	969,011,824
between 3 months and 1 year	120,435,690
between 1 and 5 years	176,700,000
beyond 5 years	-
indeterminate (*)	345,231,848
<i>Total</i>	<i>1,669,478,328</i>

Payables classified under the caption “indeterminate due date” comprise Euro 345,064,000 in borrowings obtained subject to revocation to be repaid on 48 hours’ notice and Euro 167,848 in funds received from credit institutions for advances paid in the context of a pool-managed transaction.

Advances in foreign currency are broken down as follows:

- *Currencies not belonging to the European Monetary Union*

<i>Currency</i>	<i>Value</i>	<i>Exchange rate</i>	<i>Euro</i>
Pound sterling	96,388	0,7048	136,760
Swiss frank	2,080,000	1,5579	1,335,131
US dollar	6,442,009	1,2630	5,100,561
<i>Total</i>			<i>6,572,452</i>

It should be noted that, as a result of contractual agreements, any exchange risks occurring in the context of the factoring transactions are borne by the client counterparty.

***Line 20 - Payables to finance companies***

The balance was equal to Euro 155,456 as at 31 December 2003 and relates entirely to a temporary debt to the investee Fin-Eco Factoring S.p.A. in the context of a pool-managed factoring transaction.

***Line 30 - Payables to clients***

The balance was equal to Euro 1,139,338,014 as at 31 December 2003, versus Euro 1,127,533,850 as at 31 December 2002.

The balance includes Euro 4,194,842 in payables at sight for credit positions of assignors and Euro 1,135,143,172 relating to the difference between the value of receivables acquired

but not yet cashed and amounts paid in advance against the assigned receivables / by way of corrispettivo.

Because the latter aggregate has due dates that are not comparable to one another, it has been classified as having an “indeterminate” due date.

**Line 40 – Secured payables**

The balance was equal to Euro 18,967,345 as at 31 December 2003 and includes borrowings obtained by issuing commercial credit policies, all falling due within 3 months.

<i>Due date</i>	<i>Amount</i>
within 3 months	12,900,000
between 3 months and 1 year	6,067,345
<i>Total</i>	<i>18,967,345</i>

**Line 50 – Other payables**

the balance amounted to Euro 41,034,853 as at 31 December 2003 (Euro 56,650,843 al 31 December 2002) and may be analysed as follows:

<i>Description</i>	<i>Amount</i>
Treasury for taxes and tax withholdings	430,204
Welfare and social security contributions	588,428
Employees for salaries and refunds of travel expenses	259,595
Suppliers of goods and/or services	1,562,860
Invoices to be received	1,410,998
Banks for commissions	3,080,895
Foreign correspondents for commissions payable	38,444
Amounts cashed but not yet allocated to the relevant F/S items	22,358,557
Bills withdrawn and not yet debited	102,390
Bills being credited	5,395,201
Amounts payable to third parties	4,780,105
Sundry payables	23,065
Suspense account – debtor accounts to be identified	1,004,111
<i>Total</i>	<i>41,034,853</i>

Finally, we point out that of payables to suppliers, Euro 534,911 falls due between 3 months and one year while the balance falls due within 3 months.

**Line 60 – Accrued liabilities and deferred income**

Accrued liabilities amounted to Euro 1,798,878 as at 31 December 2003, versus Euro 2,505,501 as at 31 December 2002. The balance relates mainly to the portion attributable to the period of interest accruing on borrowings and on the subordinated loan.

Deferred income amounted to Euro 1,982,004 as at 31 December 2003, versus Euro 1,039,240 as at 31 December 2002. The balance relates to commissions billed in advance but attributable to the following period.

***Line 70 – Staff leaving indemnity (“Trattamento di fine rapporto di lavoro subordinato”)***

The staff leaving indemnity amounted to Euro 3,762,164 as at 31 December 2003 (3,584,606 al 31 December 2002).

Changes include increases for accruals and revaluations of Euro 536,391 and utilisations and advances for an amount of Euro 358,833.

The balance as at 31 December 2003 covers amounts accruing to employees at the balance sheet date.

***Line 80 – Provision for risks and charges***

*Provision for taxes:*

The balance, equal to Euro 7,437,659, relates to the accrual for IRPEG, corporation tax, and IRAP, trade income tax, for the period.

It should be noted that at 31 December 2003 receivables from the Treasury include an amount of Euro 5,765,210 (Euro 4,279,736 for IRPEG and Euro 1,485,474 for IRAP), which relates both to residual amounts and to advance payment of taxes.

Also, tax withholdings totalled Euro 43,749.

Advances for the staff leaving indemnity (TFR) amounted to Euro 118,626 as at 31 December 2003, after revaluation for an amount of Euro 3,679 and utilisation for an amount of Euro 49,889.

Finally, the tax credit on dividends amounted to Euro 192,318 as at 31 December 2003.

***Line 90 – Provision for doubtful debts***

As at 31 December 2003 the provision amounted to Euro 14,575,442.

It is not a value adjustment but covers risks on receivables that are only possible.

***Line 100 – Provision for general financial risks***

The balance as at 31 December 2003, equal to Euro 3,150,387, was unchanged from 31 December 2002.

***Line 120 – Share capital***

Share capital, equal to Euro 37,500,000, is made up of 37,500,000 ordinary shares of Euro 1 each and did not change during the year.

**Line 130 – Share premium reserve**

The reserve, equal to Euro 2,410,060 as at 31 December 2003, was unchanged from 31 December 2002.

**Line 140 - Reserves**

Reserves totalled Euro 9,515,712 as at 31 December 2003 and include the legal reserve of Euro 2,972,168, the extraordinary reserve of Euro 6,469,463 and a reserve from merger surplus of Euro 74,081 originating from the book difference between the merger deficit and the purchase cost of the equity interest in Tortona Servizi Integrati S.r.l.

It should be noted that the latter reserve is unavailable for distribution.

The increase on the 31 December 2002 balance of Euro 6,067,455 was equal to Euro 3,448,257 and relates to the portion of profit for 2002 that was allocated to reserves.

<b>Receivables from and payables to investees</b>
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Receivables from investees – *credit institutions* – amounted to Euro 1,531,956 as at 31 December 2003 and may be analysed as follows:

**Banca per il leasing - Italease S.p.A.**

- Receivables assigned in the context of factoring transactions Euro 1,531,956.

Receivables from investees – *finance companies* – amounted to Euro 48,832 as at 31 December 2003 and may be analysed as follows:

**Aosta Factor S.p.A.**

- Advances for pool-managed transactions Euro 33,465
- Receivables for services rendered Euro 14,767

**Fin-Eco Factoring S.p.A.**

- Receivables for services rendered Euro 600

Payables to investees – *credit institutions* – are detailed as follows:

**Istituto Centrale delle Banche Popolari Italiane S.p.A.**

- Debit balance on ordinary current accounts Euro 13,327,713

**Payables to investees – finance companies – include the following transactions:**

**Fin-eco Factoring S.p.A.**

- **Payables for pool managed transactions** Euro 155,456

Payables to investees – *clients* – include the following transactions:

***Compagnia Telematica S.r.l.***

- Assignments of receivables Euro 3,302
- Payables at sight Euro 121,155

The line “Other payables” includes payables to investees for an amount of Euro 90,975, detailed as follows:

***Aosta Factor S.p.A.***

- Invoices to be received Euro 22,035

***Fin-Eco Factoring S.p.A.***

- Supplies of goods and services Euro 42,064
- Invoices to be received Euro 26,876

Guarantees and commitments to investees – *finance companies* – amounted to Euro 1,500,000 as at 31 December 2003 and may be detailed as follows:

***Aosta Factor S.p.A.***

- Credit lines approved as at 31 December 2003 Euro 1,500,000
- Credit lines drawn down as at 31 December 2003 Euro 271,908

**Receivables and payables denominated in non-EMU currencies**

**Receivables from debtors assigned under factoring transactions**

<i>Currency</i>	<i>Value</i>	<i>Exchange rate</i>	<i>Euro</i>
Canadian dollar	505,241	1,6234	311,224
Pound sterling	1,184,677	0,7048	1,680,870
US dollar	11,097,864	1,2630	8,786,907
Yen	21,717,054	135,05000	160,808
<i>Total</i>			<i>10,939,809</i>

**Receivables from assignors for advances against future receivables**

<i>Currency</i>	<i>Value</i>	<i>Exchange rate</i>	<i>Euro</i>
US dollar	94,158	1,2630	74,551
Swiss frank	2,095,881	1,5579	1,345,324
<i>Total</i>			<i>1,419,875</i>

**Receivables from clients under factoring transactions**

<i>Currency</i>	<i>Value</i>	<i>Exchange rate</i>	<i>Euro</i>
US dollar	897	1,2630	710
Swiss frank	681	1,5579	437
			1,147

The balance relates to invoices of the period issued in Swiss francs and not yet cashed.

**Payables to clients under factoring transactions**

<i>Currency</i>	<i>Value</i>	<i>Exchange rate</i>	<i>Euro</i>
Canadian dollar	505,241	1,6234	311,224
US dollar	4,722,248	1,2630	3,738,913
Yen	21,717,054	135,0500	160,808
Pound sterling	1,088,289	0,7048	1,544,110
<i>Total</i>			<i>5,755,055</i>

**Guarantees and commitments**

**20 – Commitments**

The balance as at 31 December 2003 was Euro 397,436,867.

It comprises Euro 390,315,494 relating to the difference between the amount of receivables assigned and approved of Euro 1,314,709,848 and the amount of Euro 924,394,354 already paid by way of advances against those receivables; Euro 4,205,713 relating to the difference between the amount of receivables reported and approved of Euro 4,580,763 and the amount of Euro 375,050 already paid by way of advances against those receivables;



Euro 2,770,881 relating to commitments for the remaining lease payments to be made for the lease with BPB Leasing S.p.A. for the non-proprietary portion of the property where Factorit currently has its offices; and Euro 144,779 relating to commitments for car rentals. For your information, we also point out that as at 31 December 2003 credit lines approved against assigned receivables amounted to Euro 2,179,134,181 and credit lines approved against reported receivables amounted to Euro 17,817,400.

In compliance with International Accounting Standards (“IAS”) we note that the value of the portion of the property that is leased is Euro 5,500,266 and the remaining amount payable as at 31 December 2003 to redeem the property is Euro 3,829,621.

The recognition of the property within assets would have resulted in accumulated depreciation of Euro 1,485,072 and deferred taxes of Euro 71,910, with a net impact on net equity of Euro 113,664 and an income statement impact of Euro 28,708.

*Derivative contracts:*

With reference to the comments to Line 20 within Liabilities, the company has entered into a hedge for the exchange risk.

*Guarantees received:*

To complete the disclosures given on memorandum accounts, we state that the company received, to secure commitments or advances paid in the context of factoring transactions, sureties in favour of assignors for an amount of Euro 2,357,261,885 and in favour of assigned debtors for an amount of Euro 41,010,015, binding patronage letters for an amount of Euro 261,528,030, non binding patronage letters for an amount of Euro 28,000,000.

Furthermore, the company received guarantees relating to commercial credit policies for an amount of Euro 12,900,000, guarantees for lease premises for an amount of Euro 1,240, mortgages securing receivables from clients for an amount of Euro 4,366,968 and sureties of Euro 8,636 issued to secure work in progress for the renovation of part of the property where the company has its offices.

Finally, we note that a commitment exists for an amount of Euro 8,748,237 for a joint obligation originating as a result of a statement of novation not having released the debtor. More precisely, in the context of a commitment made by Parmalat S.p.A. to settle the liability to Factorit under a factoring transaction with the associated company Parma A.C. S.p.A., the latter counterparty has not been released by the above-mentioned deed.

*Credit insurance:*

Insurance policies are in force for the assigned receivables for a maximum sum insurable of Euro 17,123,230.

*Own securities deposited with third parties, third party securities deposited with the company and third party securities deposited with third parties:*

As at 31 December 2003, own securities deposited with third parties amounted to Euro 689,513.

Third party securities deposited with the company amounted to Euro 37,046,047. These relate to Factorit’s shares which the shareholders deposited with the company’s treasury.

Finally, pledges on goods received as security and deposited with third parties exist for an estimated amount of about Euro 2,065,828, as per the related appraisal.

## ***Receivables assumed during the period***

### **1. Turnover**

In the course of 2003 Factorit assumed receivables for a total of Euro 10,839,806 thousand, broken down by market as follows:

• Domestic transactions without recourse	Euro	6,256,554	thousand
• Domestic transactions with recourse	Euro	4,224,231	thousand
<i>Total Domestic</i>	Euro	10,480,785	thousand
• Export transactions without recourse	Euro	204,209	thousand
• Export transactions with recourse	Euro	34,008	thousand
<i>Total Export</i>	<i>Euro</i>	<i>238,217</i>	<i>thousand</i>
• Import transactions without recourse	Euro	79,461	thousand
• Import transactions with recourse	Euro	41,343	thousand
<i>Total Import</i>	<i>Euro</i>	<i>120,804</i>	<i>thousand</i>

### **2. Advance payments to assignors as at 31 December 2003**

At the balance sheet date advance payments relating to current positions made against assigned receivables totalled Euro 1,440,746,677, of which Euro 89,180,618 relating to the export market.

Also, Euro 248,833,679 had been credited in relation to selected accounts that had become due but were still unpaid as at 31 December 2003.

To the above should be added amounts relating to advances against future receivables for an amount of Euro 43,800,730, advances relating to positions exceeding assigned receivables for an amount of Euro 10,783,680, advances against receivables not yet formally assigned for an amount of Euro 864,933 and other loans of Euro 8,732,230.

Advance payments, inclusive of selected accounts having become due, made against receivables assigned with recourse totalled Euro 516,352,323; those relating to approved assigned receivables totalled Euro 924,394,354.

At the balance sheet date, in the context of pool-managed factoring transactions that provide for the assignment pro rata of receivables by the pooled clients, the company was responsible, based on mandates for cashing shares assigned to the pool members corresponding to Euro 338,958 at 31 December 2003.

**Section C – Income statement**

**Costs**

***Line 10 - Interest and similar charges***

Interest and similar charges for the year ended 31 December 2003 amounted to Euro 38,714,416, versus Euro 52,805,686 for FY 2002.

In detail:

<i>Description</i>	<i>Amount</i>
Current account overdrafts	1,031,782
Current account overdrafts in foreign currency	205
Advances under usual reserve	5,067,060
Advances against invoices	393,795
Hot money	16,182,269
Export advances	58,990
Pool loans	10,121,368
Commercial credit policies	1,898,297
Other short-term borrowings	1,317,980
Medium-term loans	2,226,000
Debenture loans	406,813
Sundry interest	9,857
<i>Total</i>	<i>38,714,416</i>

The balance may be broken down by counterparty as follows:

<i>Type of counterparty</i>	<i>Amount</i>
Credit institutions	36,807,062
Finance companies	2,543
Clients	1,904,811
<i>Total</i>	<i>38,714,416</i>

Interest relating to credit policies may be broken down by counterparty as follows: Euro 2,543 to finance companies and Euro 1,895,754 to clients.

***Line 20 - Commission expense***

Commission expense for FY 2003 was equal to Euro 6,060,358, versus Euro 6,158,689 for FY 2002.

It may be analysed as follows:

<i>Description</i>	<i>Amount</i>
Commission payable on export factoring transactions	359,361
Commissions payable to credit institutions for factoring transactions	3,080,895
Commissions payable to finance companies for factoring transactions	81,886
Commissions payable to clients for factoring transactions	1,017,824

*“Notes to the financial statements as at 31 December 2003” continued*

Commissions payable to finance companies for arranging pool loans	166,614
Commissions payable to credit institutions for arranging pool loans	202,524
Commissions payable to clients for commercial credit policies	60,967
Commissions payable to finance companies per commercial credit policies	132
Commissions on issuance of debenture loan	51,589
Commissions on guarantees received	216
Bank, postal and other charges and commissions	1,038,350
<i>Total</i>	<i>6,060,358</i>

The balance may be broken down by counterparty as follows: Euro 4,434,518 payable to banks, Euro 248,500 to finance companies, Euro 1,377,340 to clients.

***Line 30 – Losses from financial operations***

As specified in Section A - “Accounting policies”, by nature factoring transactions do not give rise to any exchange differences, other than for very small amounts.

However, the negative balance of exchange gains and losses is stated among costs.

In detail, exchange losses totalled Euro 3,557,587 versus exchange gains of Euro 3,553,962.

Losses originate from the negative balance of exchanges relating to the value of commissions billed in foreign currency.

***Line 40 – Administrative expenses***

*Personnel expenses:*

Personnel expenses amounted to Euro 13,302,555, after the utilisation of the staff leaving indemnity provision, versus Euro 12,836,177 for FY 2002.

This item includes salaries of the year 2003 not yet paid.

*Other administrative expenses:*

Other administrative expenses totalled Euro 10,181,782, versus Euro 9,737,784 for FY 2002, and include:

<i>Description</i>	<i>Amount</i>
Rent and maintenance of EDP machines, software and line data transmission	587,554
Maintenance and repair of office machines, installations and equipment	159,159
Rent of offices and operating expenses	522,965
Lease payments	306,135
Other cost of personnel and outsourcing	1,042,759
Travel, hotel, fuel and car maintenance and repair	452,967
Freight forwarding and communication	985,405
Legal expenses	957,363
Notary expenses	182,894
Professional consulting and fees	399,448
Directors’ and statutory auditors’ emoluments	184,700
Other expenses and services	1,531,796
Printed matter, forms and stationery	229,047

*“Notes to the financial statements as at 31 December 2003” continued*

Gifts	198,987
Rebates and discounts	4,507
Taxes and duties	2,436,096
<i>Total</i>	<i>10,181,782</i>

***Line 50 – Value adjustments to intangible and tangible assets***

Value adjustments to intangible and tangible assets totalled Euro 1,222,847, a lower amount compared to Euro 1,256,208 for FY 2002.

This amount is broken down as follows:

<i>Intangible assets:</i>	<i>Euro</i>	<i>289,021</i>
<i>Tangible assets:</i>		
Ordinary depreciation	Euro	618,759
Tax-driven accelerated depreciation	Euro	271,694
Accelerated depreciation	Euro	43,373
<i>Sub-total</i>	<i>Euro</i>	<i>933,826</i>
<i>Total</i>	<i>Euro</i>	<i>1,222,847</i>

***Line 80 – Provision to the funds risks on credits***

The voice results equal to Euro 2,500,000.

***Line 90 - Value adjustments to receivables and accruals for guarantees and commitments***

Value adjustments to receivables and accruals for guarantees and commitments amounted to Euro 25,346,254.

During the year Factorit recognised losses on the principal portion of receivables for an amount of Euro 35,720,272, entirely covered by the release of provisions.

Losses on the principal portion of receivables relate to assignors for an amount of Euro 32,711,329.

***Line 100 - Value adjustments to financial assets***

Value adjustments to financial assets totalled Euro 458,862.

This amount relates to the impairment loss of the equity interest in Fin-eco factoring S.p.A., illustrated in the comments to Line 70 “Equity interests”.

***Line 110 – Extraordinary expenses***

Extraordinary charges totalled Euro 908,656.

This amount includes extraordinary losses of Euro 898,469 and extraordinary interest charges of Euro 10,187.

Extraordinary losses include Euro 597,372 paid for the tax amnesty and Euro 77,846 relating to the reduction in value of deferred tax assets due to the change in the income tax rate.

**Line 130 – Income taxes**

Income taxes totalled Euro 4,112,049.

This includes:

<i>Description</i>	<i>IRPEG</i>	<i>IRAP</i>	<i>Total</i>
Income tax of the period	5,811,549	1,626,110	7,437,659
Increase in deferred tax assets	3,641,873	469,029	4,110,902
Adjustments to deferred tax assets	698,037	87,255	785,292
<i>Total</i>	<i>2,867,713</i>	<i>1,244,336</i>	<i>4,112,049</i>

**Revenues**

**Line 10 – Interest and similar income**

Interest and similar income of FY 2003 totalled Euro 67,504,362, versus Euro 80,033,062 for FY 2002.

It is detailed by counterparty as follows:

<i>Description</i>	<i>Amount</i>
Assignors for domestic operations	53,315,058
Assignors for export/import operations	1,158,133
Debtors for payment delays	5,706,624
Late payment interest	6,886,463
Treasury	4,220
Credit institutions	145,058
Postal administration and guarantee deposits	5,429
Other loans	247,129
Securities	36,248
<i>Total</i>	<i>67,504,362</i>

Late payment interest is shown net of the related accrual of Euro 2,575,003.

With regard to the business of the counterparty, the total may be broken down as follows: Euro 187,063 from finance companies, Euro 54,261,032 from clients.

**Line 20 - Dividend and other income**

Dividend and other income for FY 2003 was equal to Euro 533,717, versus Euro 204,583 for FY 2002: this line relates to dividends from equity interests gross of the related tax credit.

**Line 30 - Commission income**

Commission income for FY 202 was equal to Euro 33,535,705, versus Euro 30,746,817 for FY 2002.

<i>Description</i>	<i>Amount</i>
Domestic commissions	28,001,951
Export commissions	1,162,259
Import commissions	818,179
Commissions from debtors	232,784
Recharge of handling costs	2,300,786
Recharge of account opening costs	423,047
Recharge of account handling costs	596,699
<i>Total</i>	<i>33,535,705</i>

Domestic and export commissions are broken down by business of the counterparty as follows: Euro 33,738 from finance companies and Euro 29,130,472 from clients.

**Line 50 – Reversals of receivable write-downs and accruals for guarantees and commitments**

This line totalled Euro 992,374 and includes reversals of receivable write-downs for an amount of Euro 106,571 and receipts of late payment interest of prior periods for an amount of Euro 885,803.

**Line 70 – Other operating income**

Other operating income of FY 2003 totalled Euro 3,514,936, versus Euro 3,096,111 for FY 2002, and is detailed as follows:

<i>Description</i>	<i>Amount</i>
Recharges of operating expense from assignors and clients	1,946,703
Recharges of operating expense from debtors	196,099
Gains on receipts relating to receivables acquired at other than nominal value	10,985
Revenue from services and webfactoring	58,097
Revenue from software user licence	100,000
Service fee	976,632
Revenue from customisations and consulting	160,548
Other income	42,834
Rebates received	23,038

<i>Total</i>	3,514,936
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***Line 80 – Extraordinary income***

Extraordinary income for FY 2003 totalled Euro 161,030, versus Euro 961,428 of FY 2002 and includes extraordinary income of Euro 72,768, bank interest income of Euro 45,854, insurance damages received of Euro 3,541, gains on disposals and equity interests of Euro 38,867.

*Breakdown of interest income by geographical area:*

Interest and similar income, from assignors and clients, may be broken down by geographical area as follows: northern Italy Euro 38,424,612, centre Italy Euro 10,857,336, southern Italy Euro 5,166,147, non residents Euro 272,225.

*Breakdown of commission income by geographical area:*

Commission income relating to domestic and export factoring transactions may be broken down by geographical area as follows: northern Italy Euro 20,676,454, centre Italy Euro 3,790,278, southern Italy Euro 4,697,478.

<b>Section D – Additional disclosures</b>
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**1. *Number of employees***

As at 31 December 2003 the company had 211 employees.

The average number of staff during the period was 213, including: 4 messengers, 114 clerks, 31 middle-level managers, 59 executive managers (formerly officers) and 5 directors.

**2. *Compensation of the statutory boards***

The compensation paid to the members of the statutory boards was:

- Euro 134,000 to the members of the Board of directors;
- Euro 50,700 to the members of the Board of statutory auditors.

The cost on cash basis of the TPL insurance policy was Euro 39,853; the portion of the period was Euro 39,653.

Finally, we state that no guarantees were given in favour of the directors or statutory auditors.

**3. *Transactions with related parties***

Under this heading we illustrate transactions with the only subsidiary, as well as the most significant transactions with investees.



**Subsidiaries:**

***Compagnia Telematica S.r.l.***

This entity is 100% owned. Capital stock amounts to Euro 52,000.

Compagnia Telematica S.r.l. operates in the remote and network services business, and provides service also to the holding company.

The subsidiary closed the year 2003 with net profit of Euro 72,102 after revenues of Euro 484,932 and costs of Euro 412,830.

The non-interest bearing credit facility was not drawn down in the course of the year, but the entity has receivables for fees from the holding company for a total of Euro 121,155.

Development of software for data transmission through the web, moreover, continues to generate economic and competitive benefits.

**Investees:**

The most significant transactions with investees that operate in the factoring business are illustrated as follows:

***Aosta Factor S.p.A.***

As in the past, the entity took advantage of full service offered by the holding company.

In relation to the subordinated loan, interest payable by Aosta Factor amounted to Euro 15,294.

As at 31 December 2003 the balance sheet shows receivables of Euro 14,767 from Aosta Factor for invoices issued for services rendered and/or commissions, in the circle of an operation of factoring managed in pool, for European 33.465.

For the management of receivables reported to the Bank of Italy and the risk connected with the granting of credit facilities, the holding company charged commissions of Euro 1,648.

Fees for the service agreement, expense recharges and pool management commissions amounted to Euro 562,432.

Invoices of Euro 44,056 were issued to Aosta Factor for an employee seconded to its Milan office.

At the year end guarantees and commitments to Aosta Factor totalled Euro 1,500,000.

The entity had turnover of Euro 635 thousand and is expected to report profit of Euro 593 thousand.

***Fin-Eco Factoring S.p.A.***

As mentioned above in the comments to “Equity interests”, Fin-Eco Factoring S.p.A. reported a significant loss for the year ended December 31, 2003, due to large losses incurred in conducting business.

*“Notes to the financial statements as at 31 December 2003” continued*

As mentioned above, the equity interest was sold in the early months of 2004 for a consideration of Euro 290 thousand, already received.

The agreement for the licence to use the information system and bookkeeping, administrative and IT assistance continued in the course of 2003.

For these services and for pool management commissions, revenues totalled Euro 324,615.

signed on behalf of the Board of Directors

***The Chairman***

***Roberto Ruozi***

## AUDITORS' REPORT

To the shareholders of  
FACTORIT SpA  
SOCIETÀ DI FACTORING DELLE BANCHE POPOLARI ITALIANE

- 1 We have audited the financial statements of FACTORIT SpA - SOCIETÀ DI FACTORING DELLE BANCHE POPOLARI ITALIANE as of 31 December 2003. These financial statements are the responsibility of the directors of FACTORIT SpA - SOCIETÀ DI FACTORING DELLE BANCHE POPOLARI ITALIANE. . 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 period, which are presented for comparative purposes as required by law, reference is made to our report dated 24 March 2003.

- 3 In our opinion, the financial statements of FACTORIT SpA - SOCIETÀ DI FACTORING DELLE BANCHE POPOLARI ITALIANE as of 31 December 2003 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.
  
- 4 We wish to emphasise that the Company changed the method used to determine the lump-sum write-down of receivables. The reason for and the effects of the change in accounting treatment are illustrated in the notes to the financial statements.

Milan, 18 March 2004

PricewaterhouseCoopers SpA

Bruno Ardemagni  
(Director)

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