

**AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE  
2409-TER OF CIVIL CODE**

**FACTORIT SPA SOCIETA' DI FACTORING DELLE BANCHE  
POPOLARI ITALIANE**

**FINANCIAL STATEMENTS AS OF 31 DECEMBER 2004**

**AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 2409-TER OF CIVIL CODE**

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 2004. 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. Those standards 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 18 March 2004.

- 3 In our opinion the financial statements of Factorit SpA Società di Factoring delle Banche Popolari Italiane as of 31 December 2004 comply with the laws governing the criteria for preparation; accordingly, they give a true and fair view of the financial position and of the results of operations of the Company.

- 4 Without qualifying our opinion we draw attention that the merger of Factorit SpA into Banca Italease is going on.

Milan, 14 March 2005

PricewaterhouseCoopers SpA

Signed by

Marco Palumbo  
(Partner)

**“This report has been translated from the original which was issued in accordance with Italian legislation solely for the convenience of international readers.”**

**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**

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

	<b>31.12.2004</b>	<b>31.12.2003</b>
10 CASH AND BANK	177.501	50.081
20 RECEIVABLES FROM CREDIT INSTITUTIONS	53.527.586	24.592.327
a) at sight	50.545.725	10.823.655
b) other receivables: receivables in factoring transactions	2.981.861 2.981.861	13.768.672 13.768.672
30 RECEIVABLES FROM FINANCE COMPANIES	12.935.031	3.677.990
b) OTHER RECEIVABLES receivables in factoring transactions	12.935.031 12.481.868	3.677.990 3.677.990
40 RECEIVABLES FROM CLIENTS for factoring transactions receivables to be collected acquired at other than than nominal value	2.894.436.801	2.895.682.588
	2.894.276.765 160.036	2.895.347.288 335.300
50 BONDS AND OTHER FIXED-INCOME SECURITIES	1.064.651	1.161.204
b) CREDIT INSTITUTIONS	548.194	644.747
c) FINANCIAL INSTITUTIONS	516.457	516.457
70 EQUITY INTEREST	956.351	1.261.845
80 EQUITY INTERESTS IN GROUP COMPANIES	51.646	51.646
90 INTAGIBLE ASSETS goodwill	1.306.097	1.504.160
	1.193.363	1.432.036
100 TANGIBLE ASSETS	9.238.943	8.971.536
130 OTHER ASSETS	16.481.556	16.140.812
140 ACCRUED INCOME AND PREPAYMENTS	1.107.352	1.442.836
a) ACCRUED INCOME	21.151	24.212
b) PREPAYMENTS	1.086.201	1.418.624
<b>T O T A L A S S E T S</b>	<b>2,991,283,515</b>	<b>2,954,537,025</b>

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BALANCE SHEET

LIABILITIES (Euro)

	31.12.2004	31.12.2003
10 PAYABLES TO CREDIT INSTITUTIONS		
a) AT SIGHT	61.437.626	1.593.243.097
receivables in factoring transactions		58.098.966
b) ON CREDIT WITHOUT PRIOR NOTICE	1.531.805.471	123,113
		1.611.379.362
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
a) AT SIGHT	16.122.322	4.194.842
receivables in factoring transactions	16,122,322	4,194,842
b) ON CREDIT WITHOUT PRIOR NOTICE	1.176.234.587	1.135.143.172
receivables in factoring transactions	1,176,234,587	1,135,143,172
40 SECURED PAYABLES	5.000.000	18.967.345
b) other secured	5,000,000	18,967,345
50 OTHER PAYABLES	59.141.311	41.034.853
60 ACCRUED LIABILITIES AND DEFERRED INCOME	2.470.687	3.780.882
a) ACCRUED LIABILITIES	744.463	1.798.878
b) DEFERRED INCOME	1.726.224	1.982.004
70 STAFF LEAVING INDEMNITY	3.991.632	3.762.164
80 PROVISION FOR RISKS AND CHARGES		7.437.659
b) PROVISION FOR TAXES	9.654.828	
c) OTHER PROVISION	7.000.000	
90 PROVISION FOR DOUBTFUL DEBTS	14.575.442	14.575.442
100 PROVISION FOR GENERAL FINANCIAL RISKS	7.150.387	3.150.387
110 SUBORDINATE LOANS	37.500.000	-
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)**

	31.12.2004	31.12.2003
140 RESERVES		9.515.712
a) LEGAL RESERVE	3.315.240	2.972.168
d) OTHER RESERVE	9.631.189	6.543.544
160 PROFIT CARRIED FORWARD	6	3
170 PROFIT	6.342.727	3.430.720
<b>TOTAL LIABILITIES</b>	<b>2,991,283,515</b>	<b>2,954,537,025</b>
10 GUARANTEES RECEIVABLES		-
20 COMMITMENTS	406.573.906	397.436.867

INCOME STATEMENT

**COSTS (Euro)**

	31.12.2004	31.12.2003
10 INTEREST AND SIMILAR CHARGES	28.445.910	38.714.416
20 COMMISSION EXPENSE	6.464.193	6.060.358
30 LOSSES FROM FINANCIAL OPERATIONS	677	3.625
40 ADMINISTRATIVE EXPENSES:		
a) PERSONNEL EXPENSES	12.606.520	13.302.555
- Staff remuneration	8.606.328	9.104.782
- Employer's contributions	2.877.944	2.989.181
- Staff leaving indemnity	710.229	811.120
- Old age pension	412.019	397.472
b) OTHER ADMINISTRATIVE EXPENSES	9.908.555	10.181.782
50 VALUE ADJUSTMENTS INTANGIBLE AND TANGIBLE ASSETS	1.209.081	1.222.847
70 PROVISION TO THE FUNDS RISKS	7.000.000	
80 PROVISION TO THE FUNDS RISKS ON CREDITS		2.500.000
90 VALUE ADJUSTMENTS TO RECEIVABLES AND ACCRUALS FOR GUARANTEES AND COMMITMENTS	9.850.356	25.346.254
100 VALUE ADJUSTMENTS TO FINANCIAL ASSETS	15.494	458.862
110 EXTRAORDINARY EXPENSES	829.656	908.656
120 PROVISION FOR GENERAL FINANCIAL RISKS	4.000.000	
130 INCOME TAXES	8.526.236	4.112.049
140 PROFIT	6.342.727	3.430.720
<b>TOTAL COSTS</b>	<b>95,199,405</b>	<b>106,242,124</b>

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INCOME STATEMENT

REVENUES (Euro)

	31.12.2004	31.12.2003
10 INTEREST AND SIMILAR INCOME	55 535 961	67 504 362
of which:		
- in factoring transaction	54,843,725	67,066,278
- security fixed income	30,411	36,248
20 DIVIDEND AND OTHER INCOME	66,007	533,717
b) equity interest		330,592
c) on shares in company of group	66,007	203,125
30 COMMISSION INCOME	34.586.335	33.535.705
50 REVERSALS OF RECEIVABLES WRITE-DOWN AND ACCRUALS FOR GUARANTEES AND COMMITMENTS	294,767	992,374
70 OTHER OPERATING INCOME	4,001,397	3,514,936
80 EXTRAORDINARY INCOME	714,938	161,030
<b>TOTAL REVENUES</b>	<b>95,199,405</b>	<b>106,242,124</b>

The present balance sheet is conforming to the bookkeeping recordings.

Signed on behalf of the Board of Directors  
*The Chairman*  
*Roberto Ruozi*



## **Notes to the financial statements as at 31 December 2004**

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 2004 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 2004.

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.

According to the provisions of Legislative Decree no. 6 dated January 17, 2003, repealing the second paragraph of article 2426 of the civil code, which allowed assets to be depreciated and provisions to be made for tax reasons, steps were taken to remove from the accounts the effects of the accelerated depreciation taken in the past solely in keeping with tax laws.

#### **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 2004.

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. Late-payment interest is recorded only when its recovery is reasonably certain.

## **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. The amounts determined by the removal from the accounts of the

effects of the depreciation taken in past years for tax reasons were recorded as deferred tax assets on the basis of the prevailing tax rates.

#### **15. Fund for risks and charges**

This fund is intended to cope with possible credit risks.

#### **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 177,501 as at 31 December 2004, versus Euro 50,081 as at 31 December 2003.

It includes Euro 167,711 in credit balances on postal accounts and Euro 9,790 in cash and stamps.

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

Receivables from credit institutions totalled Euro 53,527,586 as at 31 December 2004, versus Euro 24,592,327 as at 31 December 2003.

For an amount of Euro 50,545,725 they include occasional and temporary cash holdings at credit institutions which originated substantial receipts at year end.

The remaining Euro 2,981,861 includes: Euro 967,150 in receivables acquired in 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 1,757,293 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

*“Notes to the financial statements as at 31 December 2004” continued*

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 2004 the net nominal value of these assigned receivables reduced from Euro 3,661,945 to Euro 2,951,520 as a result of receipts of Euro 710,425.

Moreover, items due at the balance sheet date and still unpaid amounted to Euro 382 thousand.

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	525,064		525,064
between 3 months and 1 year			
between 1 and 5 years	-	-	-
beyond 5 years	-	-	-
indeterminate (*)	3,651,024	1,194,227	2,456,797
<i>Total</i>	<i>4,176,008</i>	<i>1,194,227</i>	<i>2,981,861</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 442,086 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.

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 2005	Euro	769	thousand
• years 2006/2007	Euro	738	thousand
• years 2008/2009	Euro	508	thousand
• years 2010/2011	Euro	282	thousand
• beyond 2011	Euro	655	thousand
• Total	Euro	2,952	thousand

It should be noted that the value relating to year 2005 includes items in payment for an amount of Euro 382 thousand.

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

Receivables from finance companies amounted to Euro 12,935,031 as at 31 December 2004, versus Euro 3,677,990 as at 31 December 2003 and comprise Euro 6,251,099 in receivables from assigned debtors; Euro 3,500,000 in receivables from Bipielle Società di Gestione del Credito S.p.A., Euro 2,730,769 in receivables arising in connection with the second agreement (see item 20) and Euro 453,163 in receivables arising from services rendered to the investee company Aosta Factor S.p.A..

The Euro 3,500,000 due from Bipielle Società di Gestione del Credito S.p.A. (maturing 30 November 2005) arose from a settlement whereby this company purchased for the said amount, without recourse, a receivable sold some time ago by Necchi Compressori S.p.A. For its part, Factorit waived any and all claims on Necchi Compressori S.p.A..

In 2004, the nominal balance of the receivables related to the second agreement fell from Euro 6,699,119 to Euro 5,950,378, following payments received for Euro 748,741.

The nominal balance of this item was further reduced in 2004, by Euro 1,600,000, also in light of collection estimates. Thus, total adjustments amounted rose to Euro 3,219,609.

Such amount seems consistent with the expected losses to be covered as, in light of the settlements under way and the projected collections for the next two fiscal years on the basis of available information, the following inflows are expected:

• Items to be settled	Euro 625,000
• Forecast 2005	Euro 1,174,000
• Forecast 2006	Euro 719,000
Total	Euro 2,518,000

They may be analyzed 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	4,110,930		4,110,930
between 3 months and 1 year	4,854,200		4,854,200
between 1 and 5 years			
beyond 5 years			
indeterminate (*)	6,736,347	3,219,609	3,516,738
<i>Total</i>	<i>15,701,477</i>	<i>3,219,609</i>	<i>12,481,868</i>

(\*) This sub-item reflects receivables sold under the mentioned second agreement.

*“Notes to the financial statements as at 31 December 2004” continued*

**Line 40 - Receivables from clients**

Receivables from clients totalled Euro 2,894,436,801 as at 31 December 2004, versus Euro 2,895,682,588 as at 31 December 2003, 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		2,786,714,786	11,270,681	2,775,444,105
Advances exceeding assigned receivables		4,448,504		4,448,504
Invoices and credit notes to be issued on advances exceeding the value of assigned receivables		83,436	-	83,436
Other advances, including:		93,997,626	-	93,997,626
- Advances against future assignments of receivables	81,834,751			
- Other loans	11,218,010			
- Advances against receivables reported to the Bank of Italy	26,465			
- Advances against receivables not yet formally assigned	918,400			
Invoices and credit notes to be issued on other advances		51,920	-	51,920
Receivables for commissions to be collected		3,732,048	98,765	3,633,283
Receivables acquired without recourse		34,044	516	33,528
Receivables from assigned debtors for watchlist accounts		1,365,651	635,058	730,593
Receivables from non-performing debtors for assigned receivables		1,861,255	1,608,862	252,393
Receivables from non-performing debtors for commissions		20,907	20,323	584
Receivables from non-performing assignors		26,368,460	10,767,667	15,600,793
Receivables from debtors for late payment interest		1,224,735	1,224,735	-
Receivables from non-performing debtors for late payment interest		4,725	4,725	-
Receivables to be collected acquired at other than nominal value		160,036	-	160,036
<b>Total</b>		<b>2,920,068,133</b>	<b>25,631,332</b>	<b>2,894,436,801</b>

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



*“Notes to the financial statements as at 31 December 2004” continued*

period previously used of 10 years, was introduced because it was considered more appropriate to compute the value of the write-down.

This method was unchanged from the previous year.

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 8,784,268.

The total balance on Line 40 is analyzed 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	1,568,526,469	-	1,568,526,469
between 3 months and 1 year	290,108,525	-	290,108,525
between 1 and 5 years	59,764,204	-	59,764,204
beyond 5 years	621,989	-	621,989
indeterminate (*)	1,001,046,946	25,631,332	975,415,614
<i>Total</i>	<i>2,920,068,133</i>	<i>25,631,332</i>	<i>2,894,436,801</i>

(\*) This sub-item comprised, among others, the receivables sold - of which Euro 402,432 will mature in December, Euro 151,369,000 in November, Euro 76,956 in October – advances for Euro 98,446,000 and non-performing receivables for Euro 28,255,000.

Finally, it should be noted that as at 31 December 2004 credit notes against receivables where the assignment has not yet been formally executed amounted to Euro 815,439.

***Non-performing receivables***

Non-performing receivables, suitably written down, amounted to Euro 15,853,770 as at 31 December 2004.

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	26,306,668	10,741,389	15,565,279
<i>Non-performing, with recourse</i>			
Export market	61,792	26,278	35,514
<i>Non-performing, without recourse, whereof:</i>	1,886,887	1,633,910	252,977
• Domestic market	1,779,171	1,545,314	233,857
• Import market	107,716	88,596	19,120
• Export market	-	-	-
<i>Total</i>	<i>28,255,347</i>	<i>12,401,577</i>	<i>15,853,770</i>

*“Notes to the financial statements as at 31 December 2004” continued*

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 2004 amounted to Euro 87,668,457.

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

Item	Provisions for doubtful debts under article 106 Presidential Decree no. 917 (current)	Provisions for doubtful debts under article 106 Presidential Decree no. 917 – line 90 (current)	Provisions for doubtful debts taxed	Provisions for doubtful debts taxed – item 90	Total
Balance as at 31.12.2003	18,159,468	9,493,158	20,299,690	5,082,284	53,034,600
Uses	19,493,806	-	-	-	19,493,806
Increases	9,850,356	-	-	-	9,850,356
Provisions for doubtful debts as at 31.12.2004	8,516,018	9,493,158	20,299,690	5,082,284	43,391,150

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

Securities held as at 31 December 2004, 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 2004 amounted to Euro 1,064,651, versus Euro 1,161,204 as at December 31, 2003.

It is detailed as follows:

<i>Securities</i>	<i>Number of bonds</i>	<i>Nominal value</i>	<i>Total nominal value</i>
Italfondario (currently Centrobanca) series A06 - 3.25% 01.011999/01.01.2013			507,863
BPN – Divisione Credito Fondiario e delle OO.PP. 3.25% 2000/2009			40,331
<i>Total securities issued by credit institutions</i>			<i>548,1947</i>
Subordinated convertible debenture loan issued by Aosta Factor S.p.A. variable interest rate (Euribor at 6 months + 0.35% div. 360; coupon 2.554%) 01.10.1999/01.10.2006	10	51,645	516,457
<i>Total securities issued by finance companies</i>			<i>516,457</i>
<i>Total Securities</i>			<i>1,064,651</i>

Changes during the period were as follows:

<i>Beginning balance</i>	<i>1,161,204</i>
Purchases	-
Repayments	96,553
<i>Ending balance</i>	<i>1,064,651</i>

***Line 70 - Equity interests***

Equity interests in companies other than subsidiaries amounted to Euro 956,351 as at 31 December 2004, versus Euro 1,261,845 as at 31 December 2003.

This item does not reflect any longer the equity interest in Fin-Eco Factoring S.p.A., which was sold during the fiscal year under review for a cash payment of Euro 290,000

Equity interests are analyzed 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.	6,9%	2,000	517.00	929,622
<i>In other companies</i>				
Euros Consulting S.p.A.	n.s.	27,678	0.52	0
<i>Total Equity interests</i>				<i>956,351</i>

The equity interest in Euro Consulting S.p.A. was written off during the year (Euro 15,494) due to the losses incurred by this company.

The equity interest in Aosta S.p.A. fell as a result of the equity injection for Euro 14,993,000, following the conversion, by the Parent Company Finaosta S.p.A., of the convertible bonds it held in this company. Factorit did not take part in this transaction.

**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 2004.

Here below 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. 2004	152,156	115,866	51,646	100%	216,376

**Line 90 - Intangible assets**

Intangible assets amounted to Euro 1,306,097 as at 31 December 2004, a decrease of Euro 198,063 on Euro 1,504,160 as at 31 December 2003.

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	72,124	93,376	52,766	112,734
Goodwill	1,432,036		238,673	1,193,363
<i>Total</i>	<i>1,504,160</i>	<i>93,376</i>	<i>291,439</i>	<i>1,306,097</i>

The amount of Euro 1,306,097 includes the remaining value still to be amortised, equal to Euro 1,193,363 of goodwill relating to In Factor S.p.A.

At the balance sheet date value adjustments totalled Euro 1,358,292 subdivided as follows: software costs Euro 164,929 and goodwill Euro 1,193,363.

**Line 100 - Tangible assets**

Tangible assets amounted to Euro 9,238,943 as at 31 December 2004, versus Euro 8,971,536 as at 31 December 2003.

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>Reversal of depreciation taken in past years for tax purposes (contingent assets/gains)</i>	<i>Depreciation allowance</i>	<i>Ending balance</i>
Fixtures	99,817	88,500	-	38,724	52,869	174,177
Furniture and fittings	181,469		1,825	76,767	65,510	190,907
EDP	362,526	248,055	-	-	305,488	305,093
Office machines	20,427	2,044	-	-	15,991	6,480
Machinery and equipment	4,376	1,044	-	-	4,100	1,320

*“Notes to the financial statements as at 31 December 2004” continued*

Telephone installations	12,564	3,918	-	29,363	20,045	25,800
Electrical installations	64,932	80,651	-	63,831	31,809	177,600
Elevators	16,371	-	-	17,541	7,015	26,890
Air conditioning	12,648	30,397	606	7,577	10,439	39,570
Alarm systems	11,383	-	-	1,614	6,416	6,580
Special internal installations	967	320	-	3,043	3,445	880
Vehicles	135,538	80,978	9,287	-	117,105	90,120
Buildings	8,045,050	253,559	-	57,836	275,694	8,080,750
Buildings under construction	3,468	-	3,468	-	-	-
Buildings extraordinary maintenance expenses	-	114,474	-	-	1,717	112,750
Business operating assets of unit value higher than Euro 516	-	5,427	-	-	5,427	-
<i>General total</i>	<i>8,971,536</i>	<i>909,367</i>	<i>15,186</i>	<i>296,296</i>	<i>923,070</i>	<i>9,238,940</i>

At the balance sheet date value adjustments totalled Euro 7,651,382, detailed as follows: Euro 648,436 posted to fixtures, Euro 997,898 to furniture and fittings, Euro 2,913,173 to EDP, Euro 211,614 to office machines, Euro 105,427 to machinery and equipment, Euro 321,203 to telephone installations, Euro 43,005 to alarm systems, Euro 72,622 to special internal installations, Euro 432,605 to vehicles, Euro 246,514 to electrical installations, Euro 66,657 to elevators, Euro 349,264 to air conditioning systems, Euro 5,427 to business operating assets of unit value lower than Euro 516, Euro 1,235,820 to buildings and buildings extraordinary maintenance Euro 1,717.

Tangible assets include contingent assets/gains for Euro 296,296 arisen from the removal of the tax effects determined by depreciation taken in past years solely for tax purposes (so-called “tax cleansing”).

This item was offset by an entry in Item 80 “Extraordinary income”.

For this amount deferred tax liabilities were estimated to amount to Euro 113,334.

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

As at 31 December 2004 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 16,481,556 as at 31 December 2004, versus Euro 16,140,812 as at 31 December 2003.

It is detailed as follows:

*“Notes to the financial statements as at 31 December 2004” continued*

<i>Description</i>	<i>Amount</i>
Treasury for taxes	15,716,422
Correspondents for commissions to be charged	229,404
Bills in collection	8,924
Receivables for goods and services	7,250
Receivables for advance payments of stamping machines	25,565
Guarantee deposits	27,338
Advances to suppliers	22,630
Other amounts to be credited and other items	306,042
Pending items	137,981
<i>Total</i>	<i>16,481,556</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 8,139,252 of deferred tax assets; this value originates from the movements reported below:

<i>Description</i>	<i>IRES (corporation tax)</i>	<i>IRAP (trade income tax)</i>
<i>Balance as at 31 December 2003</i>	<i>6,210,786</i>	<i>799,874</i>
Increases	2,315,605	0
Decreases	1,051,582	135,431
<i>Balance as at 31 December 2004</i>	<i>7,474,809</i>	<i>664,443</i>

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

<i>Year</i>	<i>IRES</i>	<i>IRAP</i>
2005	868,889	111,722
2006	770,054	98,993
2007	672,600	86,442
2008	640,448	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>	<i>5,164,809</i>	<i>664,443</i>

In addition to this, there are deferred tax assets for Euro 2,310,000 related to the provisions to the fund for risks and charges, item 80, made in connection with the risk of possible avoidable preferences in bankruptcy proceedings.

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 8,139,252.

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

Accrued income amounted to Euro 21,151 as at 31 December 2004 (24,212 as at 31 December 2003). It relates entirely to interest accruing on bonds.

Prepayments amounted to Euro 1,086,201 as at 31 December 2004 (1,418,624 as at 31 December 2003) and are detailed as follows:

<i>Description</i>	<i>Amount</i>
Costs of commercial intelligence	275,640
Insurance	47,206
Canteen replacement service, termination incentives, bursaries and similar	35,745
Travel, fuel and car operation expenses, car hire	16,144
Telephone expenses, financial information, stationery and consumables, newspapers and magazines, association dues, road taxes	23,362
Commissions relating to the issuance of the debenture loan	102,747
Commissions for arranging the pool	112,172
Commissions on guarantees received	9,833
Software, EDP operation and maintenance fees, maintenance of machinery and equipment, data transmission	114,782
Interest and commissions on credit policies	6,115
Bond issue discount	342,455
<b>Total</b>	<b>1,086,201</b>

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

The balance amounted to Euro 1,593,243,097 as at 31 December 2004 (1,669,478,328 al 31 December 2003).

It may be analysed as follows:

<i>Description</i>	<i>Amount</i>
Current account overdrafts	61,437,626
Advances under usual reserve against <i>Ricevute Bancarie</i> or RID (pre-authorized payments)	281,340,550

*“Notes to the financial statements as at 31 December 2004” continued*

Advances against invoices	26,700,000
Advances in foreign currencies	5,981,588
Hot money	907,750,000
Advances for pool-managed transactions	290,833,333
Other short-term borrowings	19,200,000
<i>Total</i>	<i>1,593,243,097</i>

It should also be noted that hot money includes a loan of Euro 10,018,722 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 analyzed by date due as follows:

<i>Due date</i>	<i>Amount</i>
at sight	61,437,626
within 3 months	722,572,133
between 3 months and 1 year	151,200,005
between 1 and 5 years	290,833,333
beyond 5 years	-
indeterminate (*)	367,200,000
<i>Total</i>	<i>1,593,243,097</i>

Payables classified under the caption “indeterminate due date” comprise Euro 348,000,000 in borrowings obtained subject to revocation to be repaid on 48 hours’.

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	10,992	0,7051	15,590
Swiss frank	1,240,000	1,5429	803,681
US dollar	7,031,591	1,3621	5,162,317
<i>Total</i>			<i>5,981,588</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 30 - Payables to clients***

The balance was equal to Euro 1,192,356,909 as at 31 December 2004, versus Euro 1,139,338,014 as at 31 December 2003.

The balance includes Euro 16,122,322 in payables at sight for credit positions of assignors and Euro 1,176,234,587 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 5,000,000 as at 31 December 2004 and includes borrowings obtained by issuing commercial credit policies, all falling due within 3 months.

***Line 50 – Other payables***

the balance amounted to Euro 59,141,311 as at 31 December 2004 (Euro 41,034,853 al 31 December 2003) and may be analyzed as follows:

<i>Description</i>	<i>Amount</i>
Treasury for taxes and tax withholdings	587,815
Welfare and social security contributions	556,216
Employees for salaries and refunds of travel expenses	230,331
Suppliers of goods and/or services	1,012,348
Invoices to be received	2,190,169
Banks for commissions	3,477,425
Foreign correspondents for commissions payable	34,091
Amounts cashed but not yet allocated to the relevant F/S items	25,926,851
Bills withdrawn and not yet debited	4,232
Bills being credited	20,985,350
Amounts payable to third parties	4,104,665
Sundry payables	22,295
Suspense account – debtor accounts to be identified	9,523
<i>Total</i>	<i>59,141,311</i>

Finally, we point out that of payables to suppliers, Euro 91,980 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 744,463 as at 31 December 2004, versus Euro 1,798,878 as at 31 December 2003. 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 1,726,224 as at 31 December 2004, versus Euro 1,982,004 as at 31 December 2003. 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 3,991,632 as at 31 December 2004 (3,762,164 al 31 December 2003).

Changes include increases for accruals and revaluations of Euro 515,353 and utilisations and advances for an amount of Euro 285,885.

The balance as at 31 December 2004 covers amounts accruing to employees at the balance sheet date.

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

*Other funds:*

This amounts reflects provisions made during the year in connection with the risk of possible avoidable preferences in bankruptcy proceedings.

Based on available information on pending legal proceedings and legal opinions obtained, provisions were made for Euro 7,000,000.

*Provision for taxes:*

The balance, equal to Euro 6,873,555 relates to the accrual for IRES, corporation tax, and IRAP, trade income tax, for the period.

*Deferred taxes:*

*Balance as of December 31, 2004: Euro 2,781,273.*

As a result of so-called “tax cleansing”, deferred taxes were calculated for Euro 113,334, including Euro 97,778 for corporate income taxes (IRES) and Euro 15,556 for the regional tax on productive activities (IRAP).

This amount was reduced for the taxes related to the greater depreciation taken in 2004 under statutory accounting methods: Euro 8,249 for IRES and Euro 1,312 for IRAP.

Furthermore, deferred taxes were recognized for euro 2,677,500 on the provisions made in connection with the risk of possible avoidable preferences in bankruptcy proceedings.

*Other information:*

It should be noted that at 31 December 2004 receivables from the Treasury include an amount of Euro 7,154,657 (Euro 5,543,316 for IRES and Euro 1,611,341 for IRAP), which relates both to residual amounts and to advance payment of taxes. Also, tax withholdings totalled Euro 84,351. Advances for the staff leaving indemnity (TFR) amounted to Euro 80,379 as at 31 December 2004, after revaluation for an amount of Euro 2,184 and utilisation for an amount of Euro 40,431.

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

As at 31 December 2004 the provision amounted to Euro 14,575,442 unchanged from 31 December 2003.

For more details, reference should be made to “subsequent events” in the Board of Directors’ Report on Operations.

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

This item amounted to Euro 7,150,387, up Euro 4,000,000 on the comparable amount as at 31.12.2003.

***Line 110 – Subordinated liabilities***

This item amounted to Euro 37,500,000, reflecting the 7,500 bonds with a nominal value of Euro 5,000 each issued in January 2004 and maturing on January 15, 2009 (5-year tenor), with a bullet repayment at maturity.

Terms and conditions of this issue were as follows: issue price 98.869%, interest rate 3-month Euribor plus 200 basis points (act/360), current quarterly interest rate 1.037% - withholding tax 27%.

***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 2004, was unchanged from 31 December 2003.

***Line 140 - Reserves***

Reserves totalled Euro 12,946,429 as at 31 December 2004 and include the legal reserve of Euro 3,315,240, the extraordinary reserve of Euro 9,557,108 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 2003 balance of Euro 9,515,712 was equal to Euro 3,430,717 and relates to the portion of profit for 2003 that was allocated to reserves.

***Analysis of shareholders’ equity***

As of 31 December 2004, given shareholders’ equity of Euro 60,006,882 available but non-distributable reserves amounted to Euro 10.549,312.

<b>Receivables from and payables to investees</b>
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Receivables from investees – *credit institutions* – amounted to Euro 3,420,485 as at 31 December 2004 and may be analysed as follows:

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

- Receivables assigned in the context of factoring transactions Euro 3,420,485.

Receivables from investees – *finance companies* – amounted to Euro 404,704 as at 31 December 2004 and may be analysed as follows:

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

- Receivables for services rendered Euro 404,704

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

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

- Hot money Euro 15,000,000

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

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

- Assignments of receivables Euro 8,253
- Payables at sight Euro 220,336

The line “Other payables” includes payables top investees for an amount of Euro 30,819, detailed as follows:

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

- Invoices to be received Euro 30,819

<b>Receivables and payables denominated in non-EMU currencies</b>
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**Receivables from debtors assigned under factoring transactions**

<i>Currency</i>	<i>Value</i>	<i>Exchange rate</i>	<i>Euro</i>
Canadian dollar	2,000	1,6416	1,218
Pound sterling	1,308,563	0,7051	1,855,854
US dollar	15,645,425	1,3621	11,486,253
Yen	46,400,490	139,65	332,263
Norwegian Krona	3,742	8,2365	454
<i>Total</i>			<i>13,676,042</i>

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

<i>Currency</i>	<i>Value</i>	<i>Exchange rate</i>	<i>Euro</i>
US dollar	100	1,3621	73
Swiss frank	1,254,591	1,5429	813,138
<i>Total</i>			<i>813,211</i>

**Payables to clients under factoring transactions**

<i>Currency</i>	<i>Value</i>	<i>Exchange rate</i>	<i>Euro</i>
Canadian dollar	2,000	1,6416	1,218
US dollar	8,570,398	1,3621	6,292,047
Yen	46,400,490	139,65	332,263
Pound sterling	1,297,570	0,7051	1,840,264
Norwegian Krona	3,742	8,2365	454
<i>Total</i>			<i>8,446,256</i>

**Guarantees and commitments**

**20 – Commitments**

The balance as at 31 December 2004 was Euro 406,573,906  
 It comprises Euro 401,511,480 relating to the difference between the amount of receivables assigned and approved of Euro 1,396,220,919 and the amount of Euro 994,709,439 already paid by way of advances against those receivables; Euro 2,360,380 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; Euro 202,046 relating to commitments for car rentals Euro 2,500,000 related to a commitment provided in the interest of an assignor in favour of the assignor's bank.

For your information, we also point out that as at 31 December 2004 credit lines approved against assigned receivables amounted to Euro 2,566,369,976.

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 2004 to redeem the property is Euro 3,702,384.

The recognition of the property within assets would have resulted in accumulated depreciation of Euro 1,650,080 and deferred taxes of Euro 147,802, with a net impact on net equity of Euro 92,007 and an income statement impact of Euro 21,657.

*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 2,473,769,564 and in favour of assigned debtors for an amount of Euro 60,859,406, binding patronage letters for an amount of Euro 268,887,770, non binding patronage letters for an amount of Euro 140,000,000; registration of a transferred deed surety by assignors to debtors for an amount of Euro 138,794.

Furthermore, the company received guarantees relating to commercial credit policies for an amount of Euro 5,000,000, guarantees for lease premises for an amount of Euro 1,240, mortgages securing receivables from clients for an amount of Euro 5,166,968.

Finally, we note that a commitment exists for an amount of Euro 6,355,187 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 20,419,299.

*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 2004, own securities deposited with third parties amounted to Euro 592,961.

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 2,000,000, as per the related appraisal.

***Receivables assumed during the period***

**1. Turnover**

In the course of 2004 Factorit assumed receivables for a total of Euro 11,497,323 thousand, broken down by market as follows:

• Domestic transactions without recourse	Euro	6,597,733	thousand
• Domestic transactions with recourse	Euro	4,492,405	thousand
<i>Total Domestic</i>	Euro	<i>11,090,138</i>	<i>thousand</i>
• Export transactions without recourse	Euro	250,989	thousand
• Export transactions with recourse	Euro	13,659	thousand
<i>Total Export</i>	<i>Euro</i>	<i>264,648</i>	<i>thousand</i>
• Import transactions without recourse	Euro	98,531	thousand
• Import transactions with recourse	Euro	44,006	thousand
<i>Total Import</i>	<i>Euro</i>	<i>142,537</i>	<i>thousand</i>

**2. Advance payments to assignors as at 31 December 2004**

At the balance sheet date advance payments relating to current positions made against assigned receivables totalled Euro 1,498,924,261. The table below provides a breakdown by type of transaction:

<i>Type of transaction</i>	<i>Domestic</i>	<i>Export</i>	<i>Import</i>	<i>Amount</i>
Against assignment of receivables	1,280,751,803	90,324,663	3,033,204	1,374,109,670
Exceeding assigned receivables	4,448,504	-	-	4,448,504
Currently without a formal receivable assignment	914,766		3,634	918,400
Against assignment of future receivables	79,971,712	-	1,863,039	81,834,751
Other financing	11,216,788	-	1,222	11,218,010
Advances against watchlist receivables	26,465	-	-	26,465
Items involving litigation against non-performing assignors	26,306,669	61,792	-	26,368,461
<i>Amount</i>	<i>1,403,636,707</i>	<i>90,386,455</i>	<i>4,901,099</i>	<i>1,498,924,261</i>

*“Notes to the financial statements as at 31 December 2004” continued*

Also, Euro 244,105,601 had been credited in relation to selected accounts that had become due but were still unpaid as at 31 December 2004.

Moreover, attention is called to a sum of Euro 16,120,114 concerning consideration payable to customers for receivables assigned.

Advance payments, inclusive of selected accounts having become due, made against receivables assigned with recourse totalled Euro 504,214,821; those relating to approved assigned receivables totalled Euro 994,709,439.

<b>Section C – Income statement</b>
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<b>Costs</b>
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***Line 10 - Interest and similar charges***

Interest and similar charges for the year ended 31 December 2004 amounted to Euro 28,445,910, versus Euro 38,714,416 for FY 2003.

In detail:

<i>Description</i>	<i>Amount</i>
Current account overdrafts	504,622
Advances under usual reserve	3,978,389
Advances against invoices	477,029
Hot money	13,732,685
Export advances	50,748
Pool loans	7,237,126
Commercial credit policies	264,096
Other short-term borrowings	589,629
Debenture loans	1,498,190
Sundry interest	113,396
<i>Total</i>	<i>28,445,910</i>

The balance may be broken down by counterparty as follows:

<i>Type of counterparty</i>	<i>Amount</i>
Credit institutions	28,070,281
Finance companies	1,460
Clients	374,169
<i>Total</i>	<i>28,445,910</i>

Interest relating to credit policies may be broken down by counterparty as follows: Euro 1,460 to finance companies and Euro 262,636 to clients.

***Line 20 - Commission expense***



*“Notes to the financial statements as at 31 December 2004” continued*

Commission expense for FY 2004 was equal to Euro 6,464,193, versus Euro 6,060,358 for FY 2003.

It may be analysed as follows:

<i>Description</i>	<i>Amount</i>
Commission payable on export factoring transactions	243,024
Commissions payable to credit institutions for factoring transactions	3,477,425
Commissions payable to finance companies for factoring transactions	135,123
Commissions payable to clients for factoring transactions	1,120,628
Commissions payable to finance companies for arranging pool loans	144,452
Commissions payable to credit institutions for arranging pool loans	161,654
Commissions payable to clients for commercial credit policies	11,306
Commissions on issuance of debenture loan	24,503
Commissions on guarantees received	4,951
Bank, postal and other charges and commissions	1,141,127
<i>Total</i>	<i>6.464,193</i>

The balance may be broken down by counterparty as follows: Euro 4,809,502 payable to banks, Euro 279,575 to finance companies, Euro 1,375,116 to clients.

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

This item amounted to Euro 677.

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 2,212,602 versus exchange gains of Euro 2,211,925. 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 12,606,520, after the utilisation of the staff leaving indemnity provision, versus Euro 13,302,555 for FY 2003.

This item includes salaries of the year 2004 not yet paid.

*Other administrative expenses:*

Other administrative expenses totalled Euro 9,908,555, versus Euro 10,181,782 for FY 2003, and include:

<i>Description</i>	<i>Amount</i>
Rent and maintenance of EDP machines, software and line data transmission	642,842
Maintenance and repair of office machines, installations and equipment	180,932
Rent of offices and operating expenses	503,189

*“Notes to the financial statements as at 31 December 2004” continued*

Lease payments	288,759
Other cost of personnel and outsourcing	915,436
Travel, hotel, fuel and car maintenance and repair	410,829
Freight forwarding and communication	1,036,843
Legal expenses	1,754,386
Notary expenses	120,204
Professional consulting and fees	353,855
Directors' and statutory auditors' emoluments	183,700
Other expenses and services	1,380,457
Printed matter, forms and stationery	188,787
Gifts	116,900
Rebates and discounts	27,812
Taxes and duties	1,803,624
<i>Total</i>	<i>9,908,555</i>

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

Value adjustments to intangible and tangible assets totalled Euro 1,209,081, a lower amount compared to Euro 1,222,847 for FY 2003.

This amount is broken down as follows:

<i>Intangible assets:</i>	<i>Euro</i>	<i>291,439</i>
<i>Tangible assets:</i>		
Ordinary depreciation	Euro	713,605
Accelerated depreciation	Euro	204,037
<i>Sub-total</i>	<i>Euro</i>	<i>917,642</i>
 <i>Total</i>	 <i>Euro</i>	 <i>1,209,081</i>

***Line 70 – Provisions to fund for risks and charges***

During the years provisions were made in connection with the risk of possible voidable preferences in bankruptcy proceedings.

***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 9,850,356.

During the year Factorit recognised losses on the principal portion of receivables for an amount of Euro 19,439,806, entirely covered by the release of provisions.

Losses on the principal portion of receivables relate to assignors for an amount of Euro 15,750,383.

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

Value adjustments to financial assets totalled Euro 15,494.

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

**Line 110 – Extraordinary expenses**

Extraordinary charges totalled Euro 829,656.

This amount includes extraordinary losses of Euro 725,305, extraordinary interest charges of Euro 21,249, bond discount for Euro 81,670 and losses on disposals for Euro 1,432.

Extraordinary losses include Euro 247,607 paid for the tax amnesty.

**Line 120 – Provision for general financial risks**

The provision relates to the accruals made by the company for general financial risks that may occur during the year.

**Line 130 – Income taxes**

Income taxes totalled Euro 8,526,236.

This includes:

<i>Description</i>	<i>IRPES</i>	<i>IRAP</i>	<i>Total</i>
Income tax of the period	5,347,622	1,498,933	6,873,555
Increase in advance tax assets	2,315,605	-	2,315,605
Adjustments to advance tax assets	1,051,582	135,431	1,187,013
Increase deferred tax	2,407,778	383,056	2,790,834
Adjustments deferred tax	8,249	1,312	9,561
<i>Total</i>	<i>6,510,128</i>	<i>2,016,108</i>	<i>8,526,236</i>

**Revenues**

**Line 10 – Interest and similar income**

Interest and similar income of FY 2004 totalled Euro 55,535,961, versus Euro 67,504,362, for FY 2003.

It is detailed by counterparty as follows:

*“Notes to the financial statements as at 31 December 2004” continued*

<i>Description</i>	<i>Amount</i>
Assignors for domestic operations	40,465,325
Assignors for export/import operations	1,382,165
Debtors for payment delays	5,694,109
Late payment interest	7,302,135
Treasury	2,569
Credit institutions	289,278
Postal administration and guarantee deposits	2,677
Other loans	367,292
Securities	30,411
<i>Total</i>	<i>55,535,961</i>

With respect to resident assignors, interest income came solely from customers.

***Line 20 - Dividend and other income***

Dividend and other income for FY 2004 was equal to Euro 66,007, versus Euro 533,717 for FY 2003: this line relates to dividends from equity interests gross of the related tax credit.

***Line 30 - Commission income***

Commission income for FY 2004 was equal to Euro 34,586,335, versus Euro 33,535,705 for FY 2003.

<i>Description</i>	<i>Amount</i>
Domestic commissions	28,134,408
Export commissions	1,099,124
Import commissions	892,741
Commissions from debtors	611,500
Recharge of handling costs	2,848,940
Recharge of account opening costs	408,671
Recharge of account handling costs	590,951
<i>Total</i>	<i>34,586,335</i>

Domestic and export commissions refer almost entirely to “Customers”.

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

This line totalled Euro 294,767 and includes reversals of receivable write-downs.

***Line 70 – Other operating income***

*“Notes to the financial statements as at 31 December 2004” continued*

Other operating income of FY 2004 totalled Euro 4,001,397, versus Euro 3,514,936 for FY 2003, and is detailed as follows:

<i>Description</i>	<i>Amount</i>
Recharges of operating expense from assignors and clients	2,170,957
Recharges of operating expense from debtors	139,363
Gains on receipts relating to receivables acquired at other than nominal value	143,556
Revenue from services and webfactoring	30,395
Service fee	1,145,999
Revenue from customisations and consulting	109,714
Other income	86,813
Rebates received	39,686
Revenue for office rent	54,061
Seconded employees	80,853
<i>Total</i>	<i>4,001,397</i>

***Line 80 – Extraordinary income***

Extraordinary income for FY 2004 totalled Euro 714,938, versus Euro 161,030 of FY 2003 and includes extraordinary income of Euro 659,644, bank interest income of Euro 17,733, insurance damages received of Euro 7,646, gains on disposals and equity interests of Euro 29,915.

This item included contingent assets/gains as a result of the reversal of depreciation taken in past year for tax purposes for a total of Euro 296,296.

*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 28,713,860, centre Italy Euro 8,951,911, southern Italy Euro 4,307,613, non residents Euro 241,398.

*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 19,813,950, centre Italy Euro 4,549,995, southern Italy Euro 4,869,587.

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

As at 31 December 2004 the company had 203 employees.

The average number of staff during the period was 205, including: 3 messengers, 113 clerks, 28 middle-level managers, 55 executive managers (formerly officers) and 6 directors.

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

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

- Euro 133,000 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 39,560; the portion of the period was Euro 39,760.

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 2004 with net profit of Euro 115,866 after revenues of Euro 609,660 and costs of Euro 493,794.

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 220,336.

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 12,595.

As at 31 December 2003 the balance sheet shows receivables of Euro 404,704 from Aosta Factor for invoices issued for services rendered and/or commissions.

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 33.

Fees for the service agreement, expense recharges and pool management commissions amounted to Euro 655,842.

Invoices of Euro 80,853 were issued to Aosta Factor for an employee seconded to its Milan office.

The entity had turnover of Euro 635 thousand; end-of-year results are expected to be in line with the preceding fiscal year.

signed on behalf of the Board of Directors

***The Chairman***

***Roberto Ruozi***

*Attachment A*

**Profit and Loss as of December 31, 2004 (Euro/000)**

	2004	2003
<i>Incomes from:</i>		
Net commission	28,122	27,476
Financial net incomes	27,155	29,320
<hr/>		
GROSS MARGIN	55,277	56,796
<hr/>		
<i>Cost for:</i>		
Net cost for staff	12,606	13,303
Net indirect taxes and other taxes	1,592	2,436
Other administrative costs	4,316	4,231
<hr/>		
TOTAL NET OPERATING COSTS	18,514	19,970
<hr/>		
GROSS OPERATING EARNING	36,763	36,826
<hr/>		
Adjustments	9,570	27,313
Provision to the funds risks	7,000	0
Provision for general financial risks	4,000	0
Amortizations	1,209	1,223
<hr/>		
NET OPERATING EARNING	14,984	8,290
Others Incomes and losses	(115)	(748)
<hr/>		
TOTAL OPERATIVE EARNING	14,869	7,542
<hr/>		
EARNING BEFORE TAXES	14,869	7,542
Income taxes	8,526	4,111
<hr/>		
EARNING (LOSS) OF THE EXERCISE	6,343	3,431
<hr/> <hr/>		



**Attachment B**

**Financial statement (Euro/000)**

	2004	2003
<b>Sources of finance</b>		
<b>LIQUIDITY FROM ECONOMIC MANAGEMENT:</b>		
Profit (Loss) of the exercise.	6,343	3,431
Allocation credit risk fund	4,000	0
Allocation risk fund	7,000	0
Adjustment to receivable	9,850	27,846
Allocation tangible assets	918	934
Amortization (tax amnesty)	(296)	0
Amortization costs to use plurennial	291	289
Allocation retirement indemnity fund	515	537
<hr/>		
Other sources:	28,621	33,037
Increase (decrease) Debts for banking companies And financial companies	(56,041)	(179,094)
Net Increase (decrease) Credits for factoring	45,790	148,523
Increase (decrease) Other Activities net of decrease (increase)		
Other Liabilities	19,008	(19,637)
Book value transferred assets	15	2
Net decrease Fixed Activities	(595)	(936)
<hr/>		
<b>TOTAL SOURCES</b>	<b>36,798</b>	<b>(18,105)</b>
<hr/> <hr/>		
<b>EMPLOYMENT OF FUNDS</b>		
Utilization of retirement indemnity fund	287	359
Dividends	0	1,875
<hr/>		
<b>TOTAL INVESTMENTS</b>	<b>287</b>	<b>2,234</b>
<hr/> <hr/>		
Net Liquid assets year's starting	(47,225)	(26,886)
Net Liquid assets year's ending	(10,714)	(47,225)
<hr/> <hr/>		

*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 31.12.2001	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 al 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
Variations:							
* destination profit	--	343	3,088	--	--	(3,431)	
* Operating profit 2004	--	--		--	--	6,343	6,343
Settlement at 31.12.2004	37,500	3,315	9,557	2,410	74	6,343	59,199