

Prospectus



BANCA FARMAFACTORING S.p.A.

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

€300,000,000 2.75 per cent. Notes due 2017

The €300,000,000 2.75 per cent. Notes due 2017 (the "**Notes**") of Banca Farmafactoring S.p.A. (the "**Issuer**") are expected to be issued on 12 June 2014 (the "**Closing Date**") at an issue price of 99.434 per cent. of their principal amount.

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 12 June 2017. The Notes are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the Republic of Italy, as described under "*Terms and Conditions of the Notes – Redemption for tax reasons*".

The Notes will bear interest from 12 June 2014 at the rate of 2.75 per cent. per annum, payable annually in arrear on 12 June each year commencing on 12 June 2015. Payments on the Notes will be made in Euros without deduction for or on account of taxes imposed or levied by the Republic of Italy to the extent described under "*Terms and Conditions of the Notes - Taxation*".

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

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

An investment in the Notes involves certain risks. For a discussion of these risks, see "Risk Factors" on page 7.

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

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

Lead Manager

MORGAN STANLEY

9 June 2014

IMPORTANT NOTICES

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

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

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

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

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

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or the Lead Manager that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer or the Lead Manager to any person to subscribe for or purchase any Notes.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Lead Manager to inform themselves about and to observe any such restrictions. Neither the Issuer nor the Lead Manager represents that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered in compliance with any applicable registration or other requirements in any such jurisdiction or pursuant to an exemption available thereunder, nor do they assume any responsibility for facilitating any such distribution or offering. In particular, no action has

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

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

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

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

STABILISATION

In connection with the issue of the Notes, Morgan Stanley & Co. International plc (the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws, regulations and rules.

MARKET SHARE INFORMATION AND STATISTICS

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

PRESENTATION OF FINANCIAL INFORMATION

This Prospectus incorporates by reference the following financial statements of the Issuer:

- (i) the audited consolidated annual financial statements of the Issuer and its subsidiaries as at and for the year ended 31 December 2013; and
- (ii) the audited non-consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2013 and 2012,

in each case prepared in accordance with IFRS and together with the accompanying notes and auditors' reports.

The Issuer is 91.72% owned by FF Holding S.p.A., which is the parent company of the Issuer and its subsidiaries and, in that capacity, prepares consolidated financial statements. By reason of having a parent company that itself prepares consolidated financial statements, the Issuer was not required to consolidate its financial statements until the financial year ended 31 December 2013, during which it was converted into a bank. As a result, the Issuer has not prepared consolidated annual financial statements for any financial period prior to the year ended 31 December 2013.

All of the above consolidated and non-consolidated financial statements have been audited by the Issuer's independent auditors, PricewaterhouseCoopers S.p.A.

FORWARD LOOKING STATEMENTS

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

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

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

CERTAIN DEFINED TERMS

In this Prospectus, unless otherwise specified:

- (i) “**Banca Farmafactoring**” or the “**Issuer**” means Banca Farmafactoring S.p.A., formerly known as Farmafactoring S.p.A.;
- (ii) references to “**billions**” are to thousands of millions;
- (iii) references to the “**Conditions**” are to the terms and conditions relating to the Notes set out in this Prospectus in the section “*Terms and Conditions of the Notes*” and any reference to a numbered “**Condition**” is to the correspondingly numbered provision of the Conditions;
- (iv) references to “**€**”, “**EUR**” or “**Euro**” are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended;
- (v) the “**Group**” means the group consisting of the Issuer and its consolidated subsidiaries;
- (vi) references to “**IFRS**” are to International Financial Reporting Standards, as adopted by the European Union, and
- (vii) references to a “**Member State**” are to a Member State of the European Economic Area.

TABLE OF CONTENTS

RISK FACTORS _____	7
DOCUMENTS INCORPORATED BY REFERENCE _____	19
TERMS AND CONDITIONS OF THE NOTES _____	21
SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM _____	35
USE OF PROCEEDS _____	37
DESCRIPTION OF THE ISSUER _____	38
SUMMARY FINANCIAL INFORMATION OF THE ISSUER _____	59
TAXATION _____	64
SUBSCRIPTION AND SALE _____	71
GENERAL INFORMATION _____	74

RISK FACTORS

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

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

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

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

Factors that may affect the Issuer's ability to fulfil its obligations under the Notes

The Group may be affected by the ongoing international financial crisis.

Since the second half of 2007, disruption in the global credit markets has created increasingly difficult conditions in the financial markets. These conditions have resulted in decreased liquidity and greater volatility in global financial markets, and continue to affect the functioning of financial markets and the global economy. In Europe, despite measures taken by several governments, international and supranational organisations and monetary authorities to provide financial assistance to Eurozone countries in economic difficulty and to mitigate the possibility of default by certain European countries on their sovereign debt obligations, concerns persist regarding the debt and/or deficit burden of certain Eurozone countries, including Italy, Spain and Portugal, and their ability to meet future financial obligations, given the diverse economic and political circumstances in individual member states of the Eurozone. It remains difficult to predict the effect of these measures on the economy and on the financial system, how long the crisis will last and to what extent the Issuer's business, results of operations and financial condition may be adversely affected. As a result, the availability of funding to the Group may be adversely affected and the costs of financing may significantly increase. This could materially and adversely affect the business, results of operations and financial condition of the Group, with a consequent adverse effect on the market value of the Notes.

The Group may be affected by a further downgrade of Italian sovereign debt.

On 9 July 2013, Standard & Poor's downgraded the rating assigned to Italian government securities to below BBB+, taking it to BBB, with negative outlook, a rating confirmed on 13 December 2013. On 14 February 2014, the rating assigned by Moody's to Italian government securities was confirmed at Baa2, while the outlook was taken to stable from negative. The rating assigned by Fitch Ratings to Italian government securities was confirmed on 25 October 2013 at BBB+ (negative outlook). On 25 April 2014, Fitch Ratings modified the outlook to stable, which was confirmed on 5 May 2014. Dominion Bond Rating Service downgraded the rating assigned to Italian government securities to

A (low) on 6 March 2013, confirming a downward trend, which was subsequently confirmed on 11 April 2014. A further downgrade of Italy's sovereign rating may lead to a deterioration of the Issuer's and the Group's regulatory capital ratios through an increase in their risk-weighted assets, which in turn could have a material adverse effect on the Group's business, results of operations and financial condition.

The income generated from the Group's receivables portfolio in Italy, Spain and Portugal may be adversely affected by a change in payment patterns in its Payors, and, in particular, in the Italian, Spanish and Portuguese healthcare systems.

For the year ended 31 December 2013, the Group purchased approximately €1,737.5 million of receivables for the Non-Recourse Factoring business relating to the INHS and the Spanish healthcare system (accounting for 98 per cent. of the total receivables purchased for the Non-Recourse Factoring business) (*Source*: Unaudited internal management data). The INHS is characterised by a decentralised structure, with each Italian Region independently administering healthcare services and expenditures. The Group is exposed to payment patterns and collection timing risks which vary among local entities (*Aziende Sanitarie Locali* or *Aziende Ospedaliere* of the Italian Regions and Spanish *Comunidades*). For the years ended 31 December 2013 and 2012, the Group's average days sales outstanding ("**DSOs**") in Italy were 221 and 310 days, respectively (*Source*: Unaudited internal management data).

A significant increase in DSOs of receivables purchased for the Non-Recourse Factoring business due to, *inter alia*, delays in central and regional government funding could result in a shortage of liquidity for the Group. In this regard, changes to the legislative framework have recently been enacted in Italy (in particular, Italian Legislative Decree No. 35 of 8 April 2013, Italian Law No. 64 of 6 June 2013 and Italian Law Decree No. 66 of 24 April 2014) which have had and will have an impact on the average DSOs of the receivables of the Italian Public Payors and, specifically, the Italian Public Health Payors. See "*Risk Factors—The Group is subject to a number of laws and regulations affecting Payors and Suppliers*". In addition, an increase in the timing of payments and of the Group's legal actions to enforce payments due from Payors could adversely affect the Issuer's liquidity position and profitability.

Conversely, a significant shortening in DSOs could reduce the attractiveness of Non-Recourse Factoring by reducing the Group's income from interest on late payments and maturity commissions and also affect the Group's ability to find clients willing to transfer their receivables, as well as the Group's profitability, in light of its current funding structure. These effects could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's business is highly dependent on a limited number of clients.

For the year ended 31 December 2013, the Group purchased approximately 65 per cent. of its receivables for the Non-Recourse Factoring business from its top ten clients (*Source*: Unaudited internal management data). In the Group's Credit Collection Management business, its top ten clients again accounted for approximately 65 per cent. of its managed receivables (*Source*: Unaudited internal management data). Any client may choose to insource receivables management and/or outsource it to one of the Group's competitors and, accordingly, there can be no assurance that the Group will be able to retain key clients or continue to generate the same amount of business from them.

In addition, if a client were to enter bankruptcy, in addition to the loss of business and irrecoverability of commissions due and not yet paid for receivables (along with the right to transfer back to the client certain receivables), the receiver or administrator in the bankruptcy court may have, in certain circumstances, the power to exercise claw-back actions or suspend payments due from Payors on receivables that the Group purchased from a client prior to its bankruptcy. In certain circumstances, if

a large client were to enter bankruptcy, a potentially significant percentage of the Group's purchased receivables could be affected.

The loss of any of the Group's main clients, the bankruptcy of any such clients or a significant decrease in business generated from them could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is subject to a number of laws and regulations affecting Payors and Suppliers.

Changes in existing laws and regulations affecting Payors and Suppliers, as well as the implementation of European Union regulations and directives, may materially affect the way in which the Group conducts its business, the products and services it offers, including their convenience to customers, and the value of the Group's assets. In particular, certain European countries, including Italy, Spain and Portugal, have recently adopted (or are discussing the adoption) of certain legislative measures aimed at reducing public sector expenditure, with specific effects on national public health systems. Such legislative measures (and in particular the provisions of the Italian Legislative Decree No. 231 of 8 June 2001, as subsequently amended and supplemented) may have a material adverse effect on the Group's business, results of operations and financial condition.

Non-compliance with applicable laws or regulations could result in the revocation of authorisations, or the imposition of sanctions, fines or criminal penalties. The Group's inability to comply with applicable laws or regulations, the introduction of new laws or regulations or any changes in applicable laws or regulations could have a material adverse effect on the Group's business, results of operations and financial condition.

As a bank, the Group's operations are subject to extensive government regulations, and any inability to comply with existing regulations or requirements, or changes in applicable regulations or requirements, may have an adverse effect on its business.

As a bank, the Group operates in a highly regulated environment in Italy and in Spain, and such laws and regulations are subject to change over time. In particular, the Group is subject to extensive regulation and supervision by the Bank of Italy, the European Central Bank and the European System of Central Banks. The banking laws to which the Group is subject govern the activities in which banks and foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Group must comply with financial services laws that govern its marketing and selling practices.

The supervisory authorities mentioned above govern various aspects of the Group, which may include liquidity levels and capital adequacy, the prevention and combating of money laundering, privacy protection, ensuring transparency and fairness in customer relations and registration and reporting obligations. There can be no assurance that violations of regulations will not occur, which could adversely affect the Group's results of operations, business and financial condition.

The above risks are compounded by the fact that, as at the date of this Prospectus, certain laws and regulations have only been recently approved and the relevant implementation procedures are still in the process of being developed.

In particular, between December 2010 and December 2011, the Basel Committee on Banking Supervision issued documents containing a capital and liquidity reform package (the "**Basel III Proposals**") to replace existing EU directives on capital. The main proposals are summarised as follows:

- revision of the regulatory capital definition and its components, setting higher minimum levels for Common Equity Tier I capital adequacy ratios and introducing requirements for non-Core

Tier I and Tier II capital instruments to have a mechanism that requires them to be written off or converted into ordinary shares at the point of a bank's non-viability;

- non-recognition or phasing-out of recognition of certain existing capital instruments as Common Equity Tier I Capital, Additional Tier I Capital or Tier II Capital starting from 1 January 2013;
- introduction of a capital conservation buffer designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred and a countercyclical buffer, and measures aimed at ensuring that systemically important financial institutions have loss-absorbing capacities which go beyond the minimum Basel III standards, in order to ensure that banking sector capital requirements take into account the macro-financial environment in which banks operate;
- enhancement of risk coverage of the capital requirements framework, especially regarding derivatives and other off balance sheet items (counterparty credit risk), the exposures to central counterparties (CCPs) and the values of the risk parameters under stress conditions (market, credit and counterparty credit risk);
- introduction of a leverage ratio requirement as a supplementary measure to the risk-based capital requirements;
- promotion of stronger provisioning practices mainly by moving towards a forward looking (Expected Loss) provisioning approach; and
- introduction of global common liquidity measurement standards for the banking sector, which will subject banks to minimum quantitative requirements for liquidity and increased risk weightings for "illiquid" assets.

In the European Union, the Basel III Proposals have been implemented by way of the Capital Requirements Directive 2013/36/EU (CRD IV) and Capital Requirements Regulation (EU) No 575/2013 which came into force following their adoption in June 2013. Full implementation begun on 1 January 2014, with some elements to be phased in over a period of time. The requirements should be largely fully effective by 2019 and some minor transitional provisions provide for phase-in by 2024 but it is possible that in practice implementation under national laws will take longer.

In addition, in June 2012 the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the Bank Recovery and Resolution Directive or "**BRRD**"). The stated aim of the BRRD is to provide authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. Among the powers given to governments under the BRRD is the so-called "bail-in", by which the authorities may in certain circumstances write down the claims of unsecured creditors of a failing institution or convert unsecured debt claims to equity. Following its adoption by the European Parliament and the Council of the EU in April 2014 and May 2014, respectively, the BRRD is expected to come into force in the summer of 2014 with implementation by Member States by 31 December 2014, except for the bail-in tool which is to be implemented by 1 January 2016.

Significant uncertainty remains around the implementation of some of these initiatives, as well as any change to the legal framework applicable to the Group's business and operations, including tax laws and regulations, and how they are ultimately applied may increase costs and profitability of the Group and have an adverse effect upon its business, results of operations and financial condition. As some of the relevant banking laws and regulations affecting the Group have only been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted,

enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Group or on the rights of Noteholders as creditors of the Issuer. Prospective investors in the Notes should consult their own advisors as to the consequences for them of the application of the above regulations as implemented in any relevant Member State.

Liquidity risk

The Group's businesses are subject to risks concerning liquidity which are inherent in its banking and factoring operations, and could affect the Issuer's ability to meet its financial obligations as they fall due. In order to ensure that the Group continues to meet its funding obligations and to maintain or grow its business generally, it relies on ongoing access to bank financing. In addition, the Group's liquidity may be adversely affected by significant changes in DSOs of receivables (or incorrect assumptions of the same), which may cause a mismatching of its assets and liabilities and affect the Issuer's ability to meet its financial obligations as they fall due. The ability of the Group to access funding sources on favourable economic terms is dependent on a variety of factors, including a number of factors outside of its control, such as liquidity constraints, general market conditions and confidence in the Italian banking system.

The global financial crisis and resulting financial instability have significantly reduced the levels and availability of liquidity and term funding. In particular, the perception of counterparty credit risk between banks has increased significantly, resulting in further reductions in inter-bank lending and the level of confidence from banks' customers. Should the Group be unable to continue to source a sustainable funding profile which can absorb these sudden shocks, the Group's ability to fund its financial obligations at a competitive cost, or at all, could be affected which, in turn, could have a material adverse effect on the Group's business, results of operations and financial condition.

Credit, interest rate and market risk

To the extent that any of the instruments and strategies, including legal actions and the enforcement of claims (see "*Description of the Issuer—Legal Proceedings—Enforcement of claims against Payors*" below), used by the Group to hedge or otherwise manage its exposure to credit or market risk are not effective, the Group may not be able to mitigate effectively its risk exposure in particular market environments or against particular types of risk. The Group's trading revenues and interest rate risk are dependent upon its ability to identify properly, and mark to market, changes in the value of financial instruments caused by changes in market prices or interest rates. The Group's financial results also depend upon how effectively it determines and assesses the cost of credit and manages its own credit risk and market risk concentration.

In addition, since the Group's business is focused primarily in Italy and, to a lesser extent, in Spain and Portugal, a continuation or worsening of the current adverse economic conditions in Italy, Spain or Portugal, including those resulting from the European sovereign debt crisis, could have a significant effect on the credit profile of the INHS, the Spanish and the Portuguese national health care systems and their ability to meet payment obligations when due, which, in turn, could have a material adverse effect on the Group's business, results of operations and financial condition.

Risk management and exposure to unidentified or unanticipated risks

The Group has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity and operating risks and intends to continue to do so in the future. Nonetheless, the Issuer's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks, including risks that the Issuer fails to identify or anticipate. If existing or potential customers believe

that the Group's risk management policies and procedures are inadequate, the Group's reputation as well as its business, results of operations and financial condition may be adversely affected.

Operational risk

The members of the Group, like all financial institutions, are exposed to many types of operational risk, including the risk of fraud by employees, outsourcers and outsiders, unauthorised transactions by employees or operational errors, including errors resulting from faulty information technology or telecommunication systems. The Group's systems and processes are designed to ensure that the operational risks associated with the Group's activities are appropriately monitored. Any failure or weakness in these systems, however, could adversely affect the Group's business, results of operations and financial condition.

Incorrect assumptions in the Issuer's risk management or underwriting standards for purchasing receivables, or an inability to accurately forecast future cash flows, could result in the Issuer incorrectly pricing receivables, resulting in additional collection costs and/or lower cash flows.

The purchase price of a receivable depends largely on when it is expected to be paid. The payment timing for individual Public Health Payors differs significantly and is primarily influenced by the Regions in which the Public Health Payors are located and (in Spain) the relevant *Comunidades*. The Group monitors the integrity of its receivables portfolio using the Group's database of payment records and average DSOs. The database, in conjunction with the Group's nationwide network of 11 independent local servicers who oversee the Italian Public Health Payors' receivables by monitoring and regularly visiting healthcare authorities across Italy, is used to monitor Italian Public Health Payor payment behaviour and estimate average collection periods. The Group uses this information to manage its liquidity and, in conjunction with its underwriting and risk management standards and information from its network, to price the receivables the Group purchases for its Non-Recourse Factoring business. Public Health Payors are burdened by systemic difficulties in the INHS and the Spanish public healthcare system such as structural underfunding and delays in payment transfers from the central and regional governments. If any of these factors lead to unexpected changes in average DSOs, this could alter the value of the Group's receivables, increase the costs of collection and/or lead the Group to estimate future cash flows incorrectly. An unexpected and significant change in cash flows could compromise the Group's liquidity and/or profitability, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group faces increasing competition in the markets in which it operates.

The Italian, Spanish and Portuguese factoring markets are highly concentrated and led by large banking institutions and other specialist factoring companies. Although the Group is the main specialist factoring operator in the Italian public healthcare segment (a niche in the Italian factoring market), the Group faces competition from larger institutions, particularly for clients outside of the Issuer's target market, due to the strong position and well-established market presence of its competitors operating in these markets. The Group started its operations in Spain in 2011 and as of 31 December 2013 has €47.5 million in face value of receivables outstanding (*Source*: Unaudited internal management data), while it entered the Portuguese market in 2014; in this connection, the Group is planning to expand further its activities in the Spanish and Portuguese markets. However, the number of competitors and their long-term presence in such markets may prevent or limit the Group's expansion.

If the Group is unable to continue to respond to the competitive environment with attractive product and service offerings that are profitable for the Group, the Group may lose market share in important areas of its business in Italy and may be unable to expand its activities in the Spanish and Portuguese

markets, or incur losses on some or all of its activities, which could have a material adverse effect on the Group's business, results of operations and financial condition.

There can be no assurance that the Group's attempt to expand in the Spanish and Portuguese markets will be successful.

Farmafactoring España has been operating in the Spanish receivable collection and Non-Recourse Factoring market since 2011. In addition, the Group started its operations in the non-recourse factoring of receivables due from public healthcare debtors in Portugal in 2014, operating on a cross-border basis under the EU "single passport" regime. There can be no assurance that the Group will be able to expand in the Spanish and Portuguese markets successfully and replicate its business operations in Spain and Portugal. The Group may face difficulties in leveraging its client base of multinational corporations and may not be able to rely on the reputation it has built over the years in Italy. The Group may also face country-specific barriers that limit its expansion such as the Spanish and Portuguese regulatory frameworks, market dynamics and payment patterns, and it may not be able to establish positive business relationships with the local healthcare providers within a reasonable time. In addition, local competition may be stronger than expected. The Group may incur substantial costs or other operational or financial problems in managing the Spanish and Portuguese business: management's attention may be diverted from the operation of existing businesses; the Group may not be able to retain key personnel for the new Spanish and Portuguese operations; and it may have difficulties in obtaining the required financing or the required financing may only be available on unfavourable terms. Failure to overcome these barriers and successfully expand its Spanish and Portuguese operations within an economically sustainable and reasonable time could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may experience difficulties in executing its business strategy

The Group may not succeed in implementing its current business strategy in full or in part. In particular, the achievement of strategic targets may be negatively affected by events outside of the Group's control, including adverse conditions in the markets in which it operates. For example, the Group may not be able to enter the Portuguese market, or develop and implement the new funding strategies made possible by the banking licence granted by the Bank of Italy. In particular, the Group may not be able to exploit successfully the results of securities trading or the access to retail funding operations, as well as open market operations with the European Central Bank. If the Group experiences such difficulties in executing or financing its business strategy, the Group's business, results of operations and financial condition could be materially adversely affected.

The Group's proprietary systems may fail or provide inaccurate and unreliable information.

The Group's business is highly dependent upon the correct and uninterrupted functioning of its computer and data processing systems, and in particular the proprietary IT Factoring System. The Factoring System allows the processing of more than 1.3 million invoices per year, increasing the speed and efficiency of the Group's business and reducing processing costs through economies of scale. In addition, the database contains the payment records of over 600 Payors since the beginning of the Group's operations, giving the Group significant revenues visibility and tailored pricing information with respect to receivables from individual Payors. A significant failure of the Factoring System or of the Group's disaster recovery plan could interrupt operations or materially affect the Group's ability to provide realistic and accurate pricing for products and rapidly evaluate and undertake new business opportunities. If sustained or repeated, a system failure could result in the loss of its payment-records database or in the information becoming inaccurate and unreliable, and compromise the Group's ability to purchase or manage receivables in a competitive manner, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The loss of or inability to retain qualified personnel could adversely affect the Group's financial condition and results of operations.

The Group's results and the future success of its business depend to a significant extent on its ability to attract, retain and motivate qualified personnel who have considerable experience in the business sector in which it operates. In particular, the Group had only 113 employees as at 31 December 2013 and, accordingly, its business depends on a relatively small number of key individuals. The loss of one or more of these key individuals or an inability to attract and retain further qualified personnel could cause the Group to lose its competitive edge, compromising the achievement of its goals, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The financing agreements that the Group has entered into contain covenants that limit its operations.

Certain of the Group's existing medium-term financing agreements (entered into prior to the granting of a banking licence to the Issuer) contain financial covenants requiring that the Group maintain certain levels of, *inter alia*, regulatory capital and profits. In addition, covenants such as negative pledge clauses and material change clauses constrain the Group's operations in certain respects. Failure to comply with any covenants in the Group's financing agreements and/or the triggering of any early repayment obligation with respect to any credit line could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is subject to legal proceedings which could adversely affect its consolidated revenues.

As part of the ordinary course of business, companies within the Group are subject to a number of administrative proceedings and civil actions. The Group is currently party to certain legal proceedings. See "*Description of the Issuer—Legal Proceedings*". To the extent the Group is not successful in some or all of these matters, or in future legal challenges (including legal proceedings which the Group considers to be without merit or for which the potential Group liability cannot currently be estimated), the Group's business, results of operations or financial condition could be materially adversely affected.

Risk relating to the Notes

The Notes are fixed rate securities and are vulnerable to fluctuations in market interest rates

The Notes will carry fixed interest. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital markets (the "**Market Interest Rate**"). While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security moves in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate. Conversely, if the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases, until its yield is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate could adversely affect the market price of the Notes.

The Notes may not be a suitable investment for all investors

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

The Notes may be redeemed for tax reasons

In the event that the Issuer would be obliged under the Terms and Conditions of the Notes to increase the amounts payable in respect of any Notes due to any change in or amendment to the laws or regulations of the Republic of Italy or any political subdivision thereof or any authority therein or thereof having power to tax or any change in the application or official interpretation of such laws or regulations, the Issuer may redeem all outstanding Notes in accordance with the Conditions. If the Issuer calls and redeems the Notes in the circumstances mentioned above, the Noteholders may not be able to reinvest the redemption proceeds in comparable securities offering a yield as high as that of the Notes.

Investors must rely on the procedures of the clearing systems to trade their beneficial interests in the Notes and to receive payments under the Notes

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

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

The Notes are unsecured

The Notes constitute unsecured obligations of the Issuer and, save as provided in Condition 4 (*Negative Pledge*), do not contain any restriction on the giving of security by the Issuer and its

Subsidiaries over present and future indebtedness. All secured indebtedness of the Issuer, present or future, will be senior to the Notes to the extent of the value of the assets that secure such indebtedness. Accordingly, in the event of any insolvency or winding-up of the Issuer, the proceeds from the sale of the assets securing the Issuer's secured indebtedness will be available to pay obligations on the Notes only after all secured indebtedness has been paid in full.

Minimum denomination of the Notes

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

Payments in respect of the Notes may in certain circumstances be made subject to withholding or deduction of tax

All payments in respect of Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required. The Issuer's obligation to gross up is, however, subject to a number of exceptions, including in particular withholding or deduction of:

- (i) Italian substitute tax (*imposta sostitutiva*), pursuant to Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree No. 239**"); and
- (ii) withholding tax operated in certain EU Member States pursuant to EC Council Directive 2003/48/EC and similar measures agreed with the European Union by certain non-EU countries and territories.

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

FATCA may affect payments made in respect of the Notes

Certain non-U.S. financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30 per cent. on all or a portion of payments made after 31 December 2016 pursuant to the U.S. Foreign Account Tax Compliance Act ("**FATCA**"). Whilst the Notes are held through the ICSDs, in all but the most remote circumstances, it is not expected FATCA will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries (including any clearing system other than an ICSD) in the payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It may also affect payments to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives a payment) with any information, forms or other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or

agreements related to FATCA, including any local law intended to implement an inter-governmental agreement, if applicable) and provide each custodian or intermediary with any information, forms or other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how it may affect them.

Change of law or administrative practice

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

Decisions at Noteholders' meetings bind all Noteholders

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

Risks related to the market generally

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

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

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

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

Delisting of the Notes

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

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

The ability to transfer the Notes may also be restricted by securities laws or regulations of certain countries or regulatory bodies. The Notes have not been, and will not be, registered under the Securities Act or any state securities laws in the U.S. or the securities laws of any other jurisdiction. Noteholders may not offer the Notes in the United States to or for the account or benefit of a U.S. person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. It is the obligation of each Noteholder to ensure that offers and sales of Notes comply with all applicable securities laws. In addition, transfers to certain persons in certain other jurisdictions may be limited by law, or may result in the imposition of penalties or liability. For a description of restrictions which may be applicable to transfers of the Notes, see “*Subscription and Sale*”.

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

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

Legal investment considerations may restrict certain investments

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

Exchange rate risks and exchange controls

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

- (i) the audited consolidated annual financial statements of the Group as at and for the year ended 31 December 2013, which can be found on the Issuer's website at:

http://www.bancafarmafactoring.it/en/BFF_Consolidato2013_UK.pdf/BFF_Consolidato2013_UK.pdf

- (ii) the audited non-consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2013 and 2012, which can be found on the Issuer's website at:

http://www.bancafarmafactoring.it/en/BFF_Bilancio2013_UK_22mag2014.pdf/BFF_Bilancio2013_UK_22mag2014.pdf

http://www.bancafarmafactoring.it/en/images/AnnualReport_2012.pdf

in each case prepared in accordance with IFRS and together with the accompanying notes and auditors' reports. See "Presentation of Financial Information" on page 4 of this Prospectus.

Cross-reference list

The tables below show where the information incorporated by reference in this Prospectus can be found in the above-mentioned documents.

Document	Page number(s)	
<i>Audited consolidated annual financial statements of the Group</i>		
Consolidated balance sheet	50 – 51	
Consolidated income statement	52	
Consolidated statement of comprehensive income	53	
Consolidated statement of changes in shareholders' equity.....	54 – 55	
Consolidated statement of cash flows	56 – 57	
Notes to the consolidated financial statements.....	58 – 172	
Independent auditors' report.....	173 – 175	
<i>Audited non-consolidated annual financial statements of the Issuer</i>		
	2013	2012
Balance sheet.....	50 – 51	46 – 47
Income statement.....	52	48
Statement of comprehensive income	53	49
Statement of changes in shareholders' equity.....	54 – 55	50 – 51
Statement of cash flows	56 – 57	52 – 53
Notes to the financial statements.....	58 – 168	54 – 144
Independent auditors' report.....	175 – 177	149 – 151

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

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

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

TERMS AND CONDITIONS OF THE NOTES

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

The €300,000,000 2.75 per cent. Notes due 2017 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith)) of Banca Farmafactoring S.p.A. (the "**Issuer**") are the subject of a fiscal agency agreement dated 12 June 2014 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer and Citibank, N.A., London Branch as fiscal agent (in such capacity, the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and as paying agent (in such capacity, the "**Paying Agent**" and, together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). Certain provisions of these Conditions are summaries of the Agency Agreement and subject to its detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. Definitions and Interpretation

(a) Definitions

In these Conditions:

"**Business Day**" means:

- (i) in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place; or
- (ii) in the case of payment by credit or transfer to a Euro account, a TARGET Settlement Day;

"**Calculation Amount**" means €1,000 in principal amount of Notes;

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

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

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

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

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

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

"Farmafactoring España" means Farmafactoring España S.A., a company incorporated under the laws of Spain with its registered office at C/Luchana, 23, 28010, Madrid, Spain;

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

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

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases; and
- (iv) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having substantially the same commercial effect as borrowing;

"Interest Payment Date" means 12 June in each year;

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

"Issue Date" means 12 June 2014;

"Material Subsidiary" means, at any time, Farmafactoring España (for so long as it remains a Subsidiary of the Issuer) and any Subsidiary of the Issuer which (consolidated with its own Subsidiaries, if any) accounts for at least 10 per cent. of the Consolidated Operating Income, Consolidated Profit Before Tax or Consolidated Total Assets and, for these purposes:

- (i) the Consolidated Operating Income, Consolidated Profit Before Tax and Consolidated Total Assets will be determined by reference to the then latest audited consolidated annual financial statements of the Group (the **"Relevant Consolidated Financial Statements"**);
- (ii) the operating income, profit from continuing operations before tax and total assets of each Subsidiary of the Issuer (the **"Relevant Line Items"**) will be determined by reference to the annual financial statements (whether or not audited) of such Subsidiary and those of its own Subsidiaries (if any), in each case upon which the Relevant Consolidated Financial Statements have been based;

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

fairly the Relevant Line Items of, or represented by, any Person, business or assets subsequently acquired or disposed of;

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

- (i) on terms previously approved by an Extraordinary Resolution of Noteholders;
- (ii) in the case of a Material Subsidiary, whereby the assets and undertaking of such Material Subsidiary are transferred, sold, contributed, assigned or otherwise vested in the Issuer and/or another Material Subsidiary;
- (iii) with respect to Condition 9(g) (*Cessation of business*) only, whereby the Issuer or a Material Subsidiary sells, transfers, leases, exchanges or otherwise disposes of its business (or a Substantial Part thereof) (whether in the form of property or assets, including any receivables, shares, interest or other equivalents or corporate stock or other indicia of ownership) that is made on arm's length terms for a consideration that represents or is equivalent to the fair market value of the relevant business (or part thereof), as confirmed by the Issuer's Board of Directors; or
- (iv) in the case of the Issuer, whereby the assets and undertaking of the Issuer, including equity interests in Subsidiaries, or (in the case of a demerger) all or substantially all of such assets and undertaking, are vested in a body corporate in good standing (the **"Substitute"**) and:
 - (A) the Substitute is a bank duly incorporated and licensed to operate in Italy or in another Member State of the European Union;
 - (B) the Substitute assumes the obligations of principal debtor under the Notes by operation of Italian law under the doctrine of universal succession, failing which on or prior to completion of the transaction it executes and delivers a Deed of Substitution, a supplemental agency agreement and such other documents (if any), together with (where applicable) the other parties to the Agency Agreement, as may be necessary to give full effect to the substitution of such body corporate for the Issuer (such documents, including any supplemental agency agreement, the **"Additional Documents"**);
 - (C) a certificate of the Substitute, signed by two directors or by a director and the Chief Financial Officer of the Substitute and addressed to the Fiscal Agent has been made available to the Noteholders at the Specified Offices of the Fiscal Agent, confirming the Substitute's belief that neither (1) the ability to perform the payment obligations of the principal debtor under the Notes nor (2) the rights and interests of Noteholders will be impaired as a result of the transaction;
 - (D) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Notes, the Deed of Substitution and/or the Additional Documents (as applicable) represent valid, legally binding and enforceable obligations of the Substitute have been taken, fulfilled and done and are in full force and effect; and
 - (E) the Substitute has obtained opinions from lawyers of recognised standing as to matters of Italian law and (if different) of the jurisdiction of the place of incorporation of the Substitute, confirming as follows:

- (1) fulfilment of the condition in paragraph (D) above (subject to all applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and general equitable principles);
- (2) that the Substitute is validly incorporated under the laws of its jurisdiction with power and capacity to assume and perform the obligations under the Notes, the Deed of Substitution and/or the Additional Documents (as applicable);
- (3) that the Substitute has obtained all necessary approvals and consents (including governmental and regulatory consents) for the assumption and performance of its obligations,

and from lawyers of recognised standing as to matters of English law confirming the matters set out in (1) above, all such opinions to be made available to Noteholders at the Specified Offices of the Fiscal Agent, together with the Deed of Substitution and the Additional Documents (if any);

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

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

"Permitted Security Interest" means:

- (i) any Security Interest arising by operation of law and in the ordinary course of business of the Issuer or a Material Subsidiary which does not (either alone or together with any one or more other such Security Interests) materially impair the operations of such business and which has not been enforced against the assets to which it attaches;
- (ii) any Security Interest existing over the assets of a company which becomes a Material Subsidiary after the Issue Date where such Security Interest already exists at the time that such company becomes a Material Subsidiary *provided that* (A) such Security Interest was not created in contemplation of or in connection with that company becoming a Material Subsidiary, (B) the amounts secured by such Security Interest are not increased in contemplation of or in connection with that company becoming a Material Subsidiary of the Issuer or at any time thereafter;
- (iii) any Security Interest created in connection with, or pursuant to, a securitisation, asset-backed financing or like arrangement where the payment obligations in respect of the Indebtedness secured by the relevant Security Interest are to be discharged solely from the revenues generated by the present or future assets (including receivables) over which such Security Interest is created; and
- (iv) any Security Interest created by the Issuer or a Material Subsidiary for the purposes of an issue by the Issuer of covered bonds (*obbligazioni bancarie garantite*) in accordance with Italian Law No. 130 of 30 April 1999, as amended and implemented from time to time;

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

"**Rate of Interest**" means 2.75 per cent. per annum;

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

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

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

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

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

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

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

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

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

(b) **Interpretation**

In these Conditions:

- (i) "**outstanding**" has the meaning given to it in the Agency Agreement;
- (ii) any reference to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under Condition 8 (*Taxation*); and
- (iii) any reference to the Notes includes (unless the context requires otherwise) any other securities issued pursuant to Condition 14 (*Further Issues*) and forming a single series with the Notes.

2. Form, Denomination and Title

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

3. Status

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

4. Negative Pledge

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

5. Interest

The Notes bear interest from the Issue Date at the Rate of Interest, payable in arrear on each Interest Payment Date, subject as provided in Condition 7 (*Payments*). The first Interest Payment Date will be 12 June 2015.

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

The amount of interest payable on each Interest Payment Date shall be €27.50 per Calculation Amount. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note divided by the Calculation Amount.

6. Redemption and Purchase

(a) **Scheduled redemption**

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 12 June 2017, subject as provided in Condition 7 (*Payments*).

(b) **Redemption for tax reasons**

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

- (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

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

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

- (A) a certificate signed by two duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and
- (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

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

(c) **No other redemption**

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 6(a) (*Scheduled Redemption*) and (b) (*Redemption for tax reasons*) above.

(d) **Purchase**

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

(e) **Cancellation**

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

7. Payments

(a) **Principal**

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

(b) **Interest**

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

(c) **Payments subject to fiscal laws**

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

(d) **Deduction for unmatured Coupons**

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

- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment, *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment; or
- (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment, *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment, *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the

case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

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

(e) **Payments on business days**

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

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

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

(g) **Partial payments**

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

8. Taxation

(a) **Gross-up**

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

- (i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Republic of Italy other than the mere holding of the Note or Coupon; or
- (ii) in relation to any payment or deduction of any interest, principal or other proceeds of any Note or Coupon on account of *imposta sostitutiva*, pursuant to Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree No. 239**") and related implementing regulations, as amended, supplemented or re-enacted from time to time; or
- (iii) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law, or any treaty or agreement between one or more taxing jurisdictions, implementing or complying with, or introduced in order to conform to, such Directive; or

- (iv) by or on behalf of a holder who would have been able to avoid such withholding or deduction by (A) presenting the relevant Note or Coupon to another available Paying Agent in a Member State of the European Union or (B) making a declaration of non-residence or other similar claim for an exemption; or
- (v) in each case, in which the formalities to obtain an exemption from *imposta sostitutiva* under Decree No. 239 have not been complied with, except where such formalities have not been complied with due to the actions or omissions of the Issuer or its agents; or
- (vi) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

(b) **Taxing jurisdiction**

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

9. Events of Default

If any of the following events occurs:

- (a) **Non-payment:** the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within five days of the due date for payment thereof; or
- (b) **Breach of other obligations:** the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes under these Conditions and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer, has been delivered by or on behalf of any Noteholder to the Issuer or to the Specified Office of the Fiscal Agent; or
- (c) **Cross-default of Issuer or Subsidiary:**
 - (i) any Indebtedness of the Issuer or any of its Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
 - (ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of default (however described);
 - (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any guarantee and/or indemnity given by it in relation to any Indebtedness,
provided that the amount of Indebtedness referred to in sub-paragraphs (i) and/or (ii) above and/or the amount payable under any guarantee and/or indemnity referred to in sub-paragraph (iii) above individually or in the aggregate exceeds €20,000,000 (or its equivalent in any other currency or currencies); or
- (d) **Unsatisfied judgment:** one or more judgment(s) or order(s) for the payment of any amount in excess of €20,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Subsidiaries and continue(s) unsatisfied and unstayed for a period of 45 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) **Enforcement:** a secured party takes possession of, or a receiver, manager or other similar officer is appointed (or application for any such appointment is made) in respect of, all or a Substantial Part of the undertaking, assets and revenues of the Group, or a distress, execution, attachment, sequestration or other process is levied, enforced upon or put in force against all or

a Substantial Part of the undertaking, assets and revenues of the Group and such secured party, receiver, manager or other similar officer is not discharged within 45 days; or

- (f) **Insolvency, etc:** (i) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator, liquidator or other similar officer is appointed in respect of the Issuer or any of its Subsidiaries or the whole or any Substantial Part of the undertaking, assets and revenues of the Group (or application for any such appointment is made), (iii) the Issuer or any of its Material Subsidiaries takes any action for a general readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or any class of its creditors, or (iv) the Issuer or any of its Material Subsidiaries declares or proposes a moratorium in respect of any of its Indebtedness or any guarantee and/or indemnity given by it in relation to any Indebtedness;
- (g) **Cessation of business:** the Issuer or any of its Subsidiaries ceases or threatens to cease to carry on all or a Substantial Part of the business of the Group (otherwise than for the purposes of, or pursuant to, a Permitted Reorganisation and, for the avoidance of doubt, the transfer of receivables and securities by the Issuer or any of its Subsidiaries in the ordinary course of business will not constitute a cessation of business);
- (h) **Winding up, etc:** an order is made by any competent court or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries (otherwise than for the purposes of, or pursuant to, a Permitted Reorganisation); or
- (i) **Analogous event:** any event occurs which under the laws of any applicable jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (h) (*Winding up, etc.*) above; or
- (j) **Failure to take action etc:** any action, condition or thing (including, without limitation, the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence or order) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, perform and comply with its obligations under and in respect of the Notes and the Agency Agreement, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes and the Coupons admissible in evidence in the courts of the Republic of Italy is not taken, fulfilled or done; or
- (k) **Unlawfulness:** it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Agency Agreement, unless the matter giving rise to such unlawfulness is promptly remedied by the Issuer,

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

10. Prescription

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

11. Replacement of Notes and Coupons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on

such terms as to evidence, security, indemnity and otherwise as the Paying Agent may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

12. Paying Agents

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

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent and additional or successor paying agents; *provided, however, that* the Issuer shall at all times maintain (a) a fiscal agent, (b) for so long as the Notes are listed on the Irish Stock Exchange and it is a requirement of applicable laws and regulations, a paying agent in the Republic of Ireland (c) a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC and (d) a paying agent in a jurisdiction within the European Union, other than the Republic of Italy or (if different) the jurisdiction to which the Issuer is subject for the purpose of Condition 8(b) (*Taxing Jurisdiction*).

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

13. Meetings of Noteholders; Noteholders' Representative; Modification

(a) Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Persons holding or representing not less than two-thirds or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

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

(b) Modification

The Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is not materially prejudicial to the interests of the

Noteholders. In addition, the parties to the Agency Agreement may agree, without the consent of the Noteholders, to modify any provision thereof in order to comply with mandatory laws, legislation, rules and regulations of the Republic of Italy applicable to the convening of meetings, quorums and the majorities required to pass an Extraordinary Resolution.

14. Further Issues

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

15. Notices

Notices to the Noteholders shall be valid if published in a reputable leading English language daily newspaper published in London with an international circulation and, for so long as the Notes are admitted to trading on the regulated market of the Irish Stock Exchange and it is a requirement of applicable laws and regulations, a leading newspaper having general circulation in the Republic of Ireland or on the website of the Irish Stock Exchange (www.ise.ie) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe (which is expected to be the *Financial Times*). Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

16. Currency Indemnity

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

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

17. Governing Law and Jurisdiction

(a) Governing law

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

(b) Jurisdiction

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

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

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

(d) ***Process agent***

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

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

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

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

Initial form of Notes

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

Eligibility of the Notes for Eurosystem monetary policy

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

Exchange for Permanent Global Notes

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

Tradeable amounts

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

Exchange for Definitive Notes

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

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

If:

- (i) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (ii) the Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (i) above) or at 5.00 p.m. (London time) on such due date (in the case of (ii) above) and the bearer of the Permanent Global Note will have no further rights thereunder, but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under a deed of covenant executed by the Issuer dated 12 June 2014 (the "**Deed of Covenant**"). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes that they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

Modifications to Terms and Conditions of the Notes

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

Payments

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

Payments on business days

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

Notices

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

USE OF PROCEEDS

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

DESCRIPTION OF THE ISSUER

Overview

Banca Farmafactoring S.p.A. ("**Banca Farmafactoring**" or the "**Issuer**") is a bank operating in the Italian market for servicing and non-recourse factoring of receivables due from public healthcare debtors to their suppliers, and, to a lesser extent, in the non-recourse factoring of receivables due from the Italian public administration to their suppliers, as well as in the corresponding Spanish and Portuguese markets. Based on its market share of approximately 15 per cent. of annual spending on goods and services by the Italian national health service ("**INHS**") for the year ended 31 December 2013, the Issuer enjoys a leading position in the Italian market (Source: Issuer's re-elaboration of data derived from the "*Documento di Economia e Finanza 2014*" of the Italian Ministry of Economy and Finance). The Issuer is present in the Spanish market through its subsidiary Farmafactoring España S.A. ("**Farmafactoring España**") and, since 2014, operates on a cross-border basis, under the EU "single passport" regime, in the Portuguese market. The Issuer and its subsidiaries together make up the Banca Farmafactoring Banking Group (the "**Group**") and are regulated by the Bank of Italy.

In the Italian market, the Issuer has established a leading position (Source: Issuer's re-elaboration of data derived from the "*Documento di Economia e Finanza 2014*" of the Italian Ministry of Economy and Finance) in servicing and non-recourse factoring of receivables that local Italian health-service agencies (*Aziende Sanitarie Locali* ("**ASL**")) or public hospitals (*Aziende Ospedaliere* or "**AO**") and, together with the ASLs, "**Italian Public Health Payors**") owe to their suppliers (collectively, "**Italian Public Health Suppliers**").

In the Spanish market, the Group commenced its activities in 2011 through the establishment of Farmafactoring España, which focuses on servicing and non-recourse factoring of receivables towards the public healthcare debtors, the 17 autonomous regions of Spain (the "**Comunidades**" or the "**Spanish Public Health Payors**" and, together with the Italian Public Health Payors, the "**Public Health Payors**") and owed to their suppliers in the Spanish market (the "**Spanish Public Health Suppliers**" and, together with the Italian Public Health Suppliers, the "**Public Health Suppliers**").

In addition, the Issuer is active in the servicing and non-recourse factoring of receivables owed by Italian and Spanish public administration (the "**Public Administration Payors**", and, together with the Public Health Payors, the "**Public Payors**") and non-public debtors connected with the national healthcare system in Italy and Spain (the "**Non-Public Payors**" and, together with the Public Payors, the "**Payors**") to its creditors (together with the Public Health Suppliers, the "**Suppliers**").

The Group has two core business activities:

- **Credit Collection Management:** the Group manages the process of collecting receivables on behalf of Suppliers ("**Credit Collection Management**"), including administrative matters and legal action. The Issuer receives commissions from its Supplier clients for its Credit Collection Management services. The Supplier pays all the legal costs and retains the full risk of non-payment by the Payor. For the year ended 31 December 2013, the Group managed €2,762 million of receivables on behalf of Suppliers and €1,774 million of receivables on its own behalf. The Credit Collection Management business accounted for approximately 9.2 per cent. of the Group's operating income for the year.
- **Non-Recourse Factoring:** the Group purchases receivables at face value on a non-recourse basis from Suppliers and collects payment from the Payors ("**Non-Recourse Factoring**"). For receivables purchased, the Issuer charges "maturity commissions" to Suppliers determined on expected collection time (based mainly on the payment history of the ASL or AO and the Italian regional authority ("**Region**") or the *Comunidades* involved) and on the cost, actual and expected, of funding. In its Non-Recourse Factoring business, the Group assumes all

collection costs and the risk of non-payment. For the year ended 31 December 2013, the Group purchased €1,774 million of Non-Recourse Receivables, accounting for approximately 90.8 per cent. of its consolidated operating income for the year. For the year ended 31 December 2013, the amount of receivables owed by Italian Public Health Debtors purchased by the Group represented 94.7 per cent. of the total amount of receivables purchased by the Group in the same period (*Source*: Unaudited internal management data).

As of 31 December 2013, the Group had 113 employees, with headquarters in Milan and offices in Rome and Madrid.

The tables below show selected consolidated balance sheet and income statement line items of the Group as at the dates and for the periods indicated:

	For the year ended 31 December		
	2013	2012	% Change
	(€ millions, except percentages)		
Total interest income net of interest expenses	101.0	102.5	(1.5)
<i>Of which, interest on late payments</i>	51.2	50.8	0.7
Net fee and commission income.....	9.2	9.2	(0.3)
Gain/(losses) on trading	1.7	(1.7)	198.8
Operating Income	111.9	110.0	1.7
Profit before tax from continuing operations	84.5	85.4	(1.1)
Profit for the year	48.9	56.2	(12.9)

	As of 31 December		
	2013	2012	% Change
	(€ millions, except percentages)		
Receivables due from customers	1,136.6	1,242.2	(8.5)
Due from banks	325.9	141.0	131.2
Other assets	145.4	44.2	228.6
Total Assets	1,607.9	1,427.4	12.6
Payables due from banks and financial institutions	876.8	798.0	9.9
Securities issued	320	250.0	28.0
Other liabilities	178.1	142.2	25.2
Shareholders funds	233.0	237.3	(1.8)
Total Liabilities and Equity	1,607.9	1,427.4	12.6

The tables below set forth the operating income, net profit and assets of the Issuer and Farmafactoring España, which represented the Italian and Spanish activities, respectively, as of and for the year ended 31 December 2013.

Geographic breakdown

	Operating income	Net profit	Assets
	(€ millions)		
Italy.....	110.1	48.9	1,433.3
Spain ⁽¹⁾	1.3	-	48.6

⁽¹⁾ *Source*: Unaudited internal management data.

The tables below set forth the amounts of receivables purchased by the Group for the year ended 31 December 2013 by debtor category.

Debtor breakdown

	Receivables purchased	
	(€ millions)	per cent.
Italian Public health care system	1,680.2	94.7
Italian Public Administration.....	36.2	2.1
Italian Non-Public Payors	-	-
Spain	57.3	3.2
Total.....	1,773.7	100.0

Source: Unaudited internal management data.

Group Structure

As of the date of this Prospectus, the Issuer wholly owns Farmafactoring España which was incorporated in response to several multinational pharmaceutical, diagnostic and biomedical companies that were already customers of Farmafactoring through their Italian branches having expressed an interest in Farmafactoring for services in Spain similar to those provided in Italy.

Strengths

The Group believes that its competitive strengths are as follows:

- Market leader in Italy:** Based on a market share of 15 per cent. of annual INHS spending on goods and services for the year ended 31 December 2013 (Source: Issuer's re-elaboration of data derived from the "Documento di Economia e Finanza 2014" of the Italian Ministry of Economy and Finance) and particularly spending on pharmaceuticals and medical devices, the Issuer believes it is the Italian market leader in the Credit Collection Management and Non-Recourse Factoring of Italian Public Health Payors' receivables. The receivables managed by the Group on behalf of the Suppliers and on its own behalf, amounting to approximately €4.5 billion for the year ended 31 December 2013 (Source: Unaudited internal management data), provide Banca Farmafactoring with significant negotiating power with Italian Public Health Payors, shortening payment times and increasing the Issuer's ability to enter into settlement agreements with Italian Public Health Payors, when necessary. In addition, in approximately 30 years of operations in the Italian market, Banca Farmafactoring has developed significant expertise and industry insights. In addition, its market position and know-how enables it to monitor the payment histories of each Italian Public Health Payor and cash flows within the INHS and then to assess the likely timing of payments and price the value of outstanding receivables more accurately. Management believes that this gives Banca Farmafactoring a significant level of profitability and allows the Credit Collection Management and Non-Recourse Factoring businesses to operate efficiently.
- Broad geographic coverage:** Banca Farmafactoring operates in Italy through its own teams in Milan and Rome and its nationwide network of 11 independent local servicers (working exclusively for Banca Farmafactoring) that monitor and regularly visit healthcare authorities across the entire Italian national territory, which has allowed Banca Farmafactoring to develop expertise in collecting healthcare receivables in Italy. As a result, management believes that the Issuer has the know-how required to administer efficiently its services for Suppliers throughout Italy and price them accurately.
- Well-established relationships with long-standing customers:** The majority of the Group's clients are long-standing (at least 15 years with its top ten clients) customers, many of whom

have essentially outsourced their credit-collection departments to the Group, giving it a strong competitive advantage in Italy, as well as constituting a barrier to entry in the relevant market, and enabling the Group to expand in Spain and Portugal strengthening the relationship with existing customers in Italy. In addition, its client base is composed of large, sophisticated multinational corporations that generate large volumes of receivables. Management believes that the Group's solid client base and large receivables portfolio provide a strong platform for expansion into other industry sectors, such as the utilities and telecommunications sectors, and selected countries similar to Italy and Spain, such as Portugal.

- **State-of-the-art IT system and approximately 30-year payment record database:** The Group's proprietary IT factoring system ("**Factoring System**") allows the processing of more than 1.3 million invoices per year in Italy, thereby increasing the speed and efficiency of the Group's business and reducing processing costs through economies of scale. In addition, the database contains the payment records of approximately 600 Payors since the beginning of the Group's operations, enhancing the Group's accuracy of pricing information with respect to receivables from individual Payors.
- **High asset quality:** Due to stringent underwriting standards and credit-management rules, the management of the Group believes its receivables portfolio constitutes good quality assets. In fact, as of 31 December 2013 and 2012, total impaired receivables of the Group were 0.7 per cent. and 1.9 per cent. of total receivables. See "*Description of Business—Receivables Portfolio*" for further details. As of 31 December 2013, more than 99 per cent. of the Group's receivables derived from the Italian and Spanish public sectors. The risk weighting applicable to receivables owed by the Italian State is zero per cent., by Regions is 20 per cent., by ASLs and AOs is 50 per cent., and by *Comunidades* is 20 per cent.
- **Sound capitalisation level:** The Group aims at maintaining its current level of capital ratios, which exceed the minimum levels required by applicable laws and regulations as well as its main competitors' capital ratios. As of 31 December 2013, the Group and the Issuer had a Tier 1 capital ratio of 21.0 per cent. and 28.4 per cent., respectively. See "*—Capital Ratios*" below for further details. Such levels of capital ratios enable the Group to expand its activities by increasing the amount of receivables managed.
- **Resilient profitability profile:** Despite the ongoing financial crisis and economic difficulty experienced by certain European countries, including Italy and Spain, the Group has been able to maintain its profitability profile in the past years, with a return on equity ratio equal to 26.6 per cent. and 31.0 per cent. for the years ended 31 December 2013 and 2012.
- **Experienced management team:** The Group has a highly experienced and stable management team, many of whom are shareholders of FF Holding S.p.A., Banca Farmafactoring's largest shareholder, and Farma Holding S.à r.l. See "*Description of the Issuer—Principal Shareholders*" below. In addition, the Group's Spanish operations are managed by a management team with experience in the Iberian market.

Strategy

The Group intends to expand its operations and market share by pursuing growth opportunities in the Italian, Spanish and international markets. In order to achieve these objectives, the Group has adopted the following strategies:

- **Consolidate presence in the Italian market with key clients:** The Group intends to increase the services it offers to its client base in the healthcare industry, its main area of expertise, and consolidate its position in the Credit Collection Management and Non-Recourse Factoring

businesses in Italy, thereby increasing its market share among pharmaceutical and medical-device companies, its target clients.

- **Diversify client base into other suppliers in the Italian health care and public administration sectors to drive growth in Italy:** The Group intends to exploit the strength of its market position and factoring experience to diversify its client base and increase its dealings with other suppliers of goods and services to Italian Payors.
- **Grow in the Spanish market and expand into Portugal and other international markets:** The Group intends to pursue external growth opportunities in Europe by leveraging its expertise and existing client base of multinational corporations, particularly in Spain, where some of the Group's multinational clients have specifically requested it to expand, and in Portugal, where it started its operations in 2014. The Group commenced its factoring services operations in Spain in 2011 and has since implemented its Factoring System in Spain, allowing it to manage its operations in that market more effectively.
- **Further grow in the public and non-public sectors' receivables owed by Payors to expand the Group's presence in Italy:** The Issuer also operates in the market for the servicing and non-recourse factoring of receivables owed by Payors. The Group intends to exploit the strength of its market position and factoring expertise in the INHS market applying its know-how to all Payors, in order to further diversify its debtor's base.
- **Maintain strong levels of regulatory capital:** As of 31 December 2013, the Group's and the Issuer's Tier I capital to risk-weighted assets ratio was 21.0 per cent and 28.4 per cent., respectively. The Issuer intends to maintain strong levels of regulatory capital to meet the ongoing risk associated with its financing activities and to support its Italian operations and growth plans in Spain.
- **Maintain tight underwriting standards and manage risk of delayed payment:** The Group intends to continue seeking assets that meet its strict credit requirements for the Non-Recourse Factoring business, while mitigating risk of delayed payment by expanding the Credit Collection Management business. Furthermore, the Group intends to maintain the diversification of its receivables portfolio, both by geography and by counterparty.
- **Diversify sources of funding:** The Group intends to further diversify its sources of funding going forward through, *inter alia*, the issuance of debt such as the issuance of the Notes. In addition, the banking licence granted to Banca Farmafactoring is expected to enable the Group to pursue a diversification strategy in connection with the funding of its operations, including access to inter-bank lending as well as other typical banking activities, such as securities trading (in order to generate positive results in term of profitability and ease funding costs), funding through retail and corporate deposits as well as certain other financing transactions.

History

Banca Farmafactoring was established as a joint stock corporation under the laws of the Republic of Italy on 22 July 1985 by a group of Italian and international pharmaceutical companies to act as a service provider to the Italian pharmaceutical sector with the aim of collecting receivables from Italian Public Health Payors. As of the date of this Prospectus, Farma Holding S.à r.l. indirectly owned by the private equity fund Apax Europe VI ("**Apax**") owns 94.34 of FF Holding S.p.A. ("**FF Holding**") and members of management of the Group own 5.66 per cent. of FF Holding. FF Holding, in turn, owns 91.72 per cent. of Banca Farmafactoring and the remaining 8.28 per cent. is owned by some of the founding shareholders. See "*—Principal Shareholders*" below. In December 2011, Banca Farmafactoring established the wholly-owned subsidiary Farmafactoring España to pursue its expansion strategy and replicate its Italian business operations in Spain.

The Issuer was formerly known as “Farmafactoring S.p.A.” and previously operated as a financial intermediary regulated by the Bank of Italy until it was granted a banking licence as on 2 January 2013. The Issuer started operating as a bank on 16 July 2013 and changed its corporate name to Banca Farmafactoring S.p.A.

The Issuer is registered with the Milan Chamber of Commerce, registration number 07960110158. The Issuer’s registered office is at Via Domenichino, 5, 20149 Milan, Italy and its telephone number is + 39 02 499 051. It is also on the register of the banks (*albo delle banche*) held by the Bank of Italy under registration number 5751 and on the register of the banking groups (*registro dei gruppi bancari*) under number 3435.5. The Issuer’s by-laws specify that the period of the Issuer’s duration expires on 31 December 2100 and may be extended at an extraordinary meeting of the shareholders.

Business Overview

Introduction

In a typical factoring transaction, a payee assigns to a third party (known as a “**factor**”) a receivable due from a payor, in exchange for a mutually agreed purchase price. The assignment can be with recourse, in which case the payee is required to repurchase the receivable from the factor in the event of non-payment, or without recourse, in which case the factor assumes the risk of non-payment of the receivable. Factoring allows payees to monetise their receivables, outsource credit-collection activities and minimise the risk of non-payment.

See “—Description of Business—Receivables Portfolio” below for a breakdown by sector of the volume of the Group’s receivables purchased through the Non-Recourse Factoring business and managed through the Credit Collection Management business as of 31 December 2013 and 2012.

The table below shows the Group’s total receivables and total collections (through both the Credit Collection Management and Non-Recourse Factoring businesses), for the years ended 31 December 2013 and 2012.

	For the year ended 31 December			Changes
	2013	2012		
	<i>(in € millions, except percentages)</i>			
Total receivables	4,536	4,327	209	4.8%
<i>Of which Credit Collection Management</i>	2,762	2,613	149	5.7%
<i>Of which Non-Recourse Factoring</i>	1,774	1,714	60	3.5%
Total collections	5,138	4,647	491	10.6%
<i>Of which Credit Collection Management</i>	3,267	2,642	625	23.7%
<i>Of which Non-Recourse Factoring</i>	1,871	2,005	(134)	(6.7)%

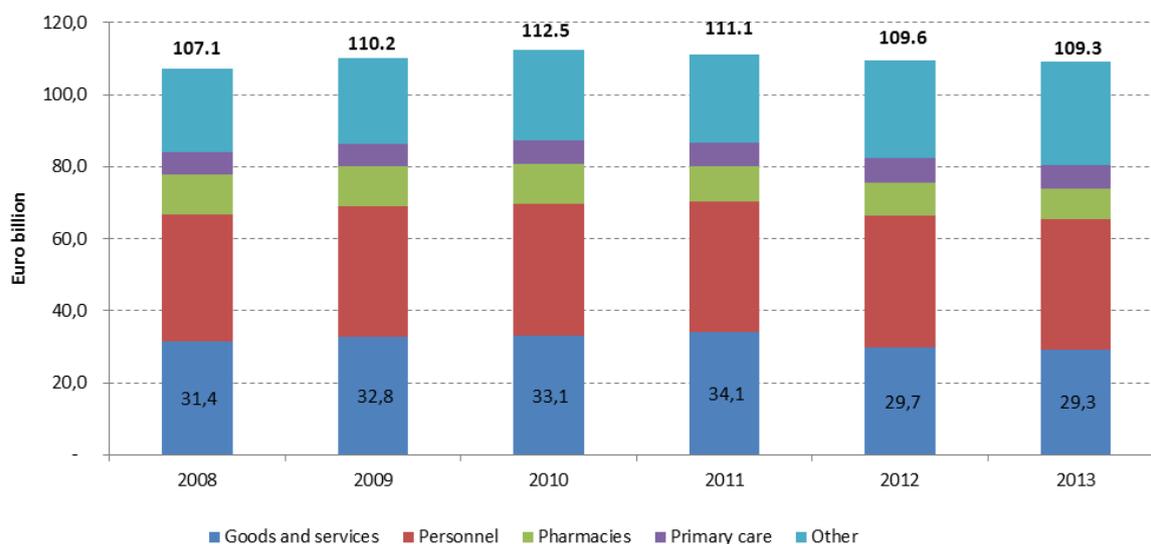
Italy

The healthcare industry in Italy is well-suited to the factoring business because of the long payment delays (creating the need to monetise receivables) and the high creditworthiness of Public Health Payors, such as the ASLs and AOs.

The funding of the INHS is managed by the Italian Ministry of Economy and Finance and is based on a three-tiered pyramid structure with the Italian central government at the apex, allocating a specific annual budget to public health. The 20 Italian regions then negotiate their share of that annual budget, according to population size and the importance of local INHS facilities in the relevant region. On top of this, regions are entitled to levy additional local taxes to fund their health spending. Following this, the local Italian health service agencies, the ASLs and the AOs (who are responsible for the planning and organisation of health services at local level) negotiate their shares of the relevant

region's budget. Central government and the regions determine by law the amount of financial resources that will be allocated each year.

In 2013, the annual INHS spending amounted to approximately €109.3 billion (Source: Issuer's re-elaboration of data derived from the "*Documento di Economia e Finanza 2014*" of the Italian Ministry of Economy and Finance), of which approximately €29.3 billion were spent in goods and services. The chart below details the INHS's annual public health-funding budget and its allocation for the period 2008-2013:



Source: Italian Ministry of Economy and Finance — *Documento di Economia e Finanza 2014*.

Faced with increasing cost inflation, healthcare budgets have been consistently and structurally underfunded since the INHS's inception in order to contain public spending on healthcare. This government policy has resulted in a structural funding gap and significant indebtedness at regional level. Therefore, healthcare suppliers to the INHS generally face long delays before receiving payment for their goods and services — an average "days sales outstanding" ("DSOs" – the number of days from the invoice date to the payment date) of 221 days for the year ended 31 December 2013 for the receivables serviced or purchased by the Group — due to a combination of frequent budget deficits and delays between initial funding allocations at national government level and distribution to the regions and ultimately the ASL and AO.

According to market data from the Italian Ministry of Economy and Finance, for the year ended 31 December 2013, the Group intermediated (through both the Credit Collection Management and Non-Recourse Factoring businesses) about 15 per cent. of annual INHS spending on goods and services.

Spain

The healthcare system in Spain is managed at a central level by the 17 *Comunidades*, which establish their respective expenditure budget, and are mainly funded by the Spanish central government.

Beginning in 2012, the Spanish central government set in motion two actions to reduce healthcare receivables and the relevant number of "days sales outstanding":

- the "*Fondo de Liquidez Autonómico*" (FLA) which, for the purpose of rendering the *Comunidades* less dependent on the financial markets, extended a line of credit, with the effect of substantially restructuring the debt of the *Comunidades*; and

- the “*Plano Especial de Pago*” (PEP), which has been implemented in two stages and had the purpose of paying off unpaid receivables due from the *Comunidades*.

This made it possible to reduce outstanding healthcare receivables which went from more than €6 billion in 2011 to approximately €2 billion at the beginning of 2014, reducing the number of “days sales outstanding” during the same period from 525 to 153.

As of the date of this Prospectus, it is expected that there will be no further actions taken so operators are expecting a steady increase throughout the year in the number of “days sales outstanding” compared to the current number.

Description of Business

Credit Collection Management

For the year ended 31 December 2013, the Credit Collection Management business accounted for approximately 9.2 per cent. of the Group’s consolidated operating income for the year. Receivables collection is both time- and labour-intensive, requiring Suppliers to invest in the infrastructure and experience necessary to ensure efficient collection, which has led many of the Group’s clients to view outsourcing receivables collection as a cost-efficient alternative. The Group’s average cost of processing a receivable on a management basis is typically lower than the comparable cost for Suppliers due to larger volumes managed and the resulting economies of scale.

The table below shows the Group’s total receivables and total collections through the Credit Collection Management business, for the years ended 31 December 2013 and 2012.

	For the year ended 31 December			
	2013	2012	Changes	
	<i>(€ millions, except percentages)</i>			
Total receivables managed	4,536	4,327	209	4.8%
Total managed receivables collected	5,138	4,647	491	10.6%

Non-Recourse Factoring

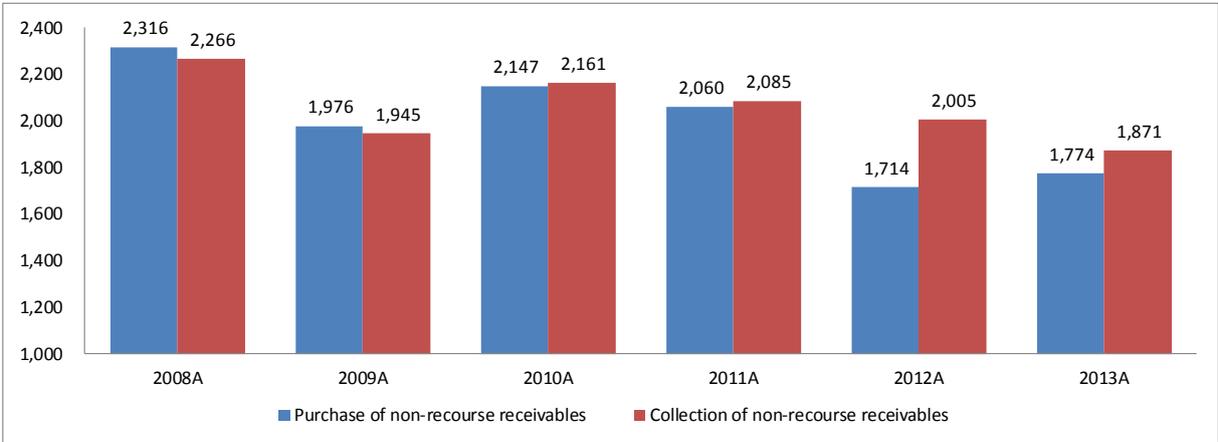
For the year ended 31 December 2013, the Non-Recourse Factoring business accounted for approximately 90.8 per cent. of the Group’s consolidated operating income for the year. In the Non-Recourse Factoring business (also known as factoring *pro soluto*), the Group purchases, at face value from Suppliers, overdue receivables that are owed by Italian Public Health Payors.

When the Group purchases such receivables for the Non-Recourse Factoring business, the receivables are transferred from the Supplier’s balance sheet to the Group’s balance sheet for a consideration equal to the face value of the receivable. In exchange for this service, Suppliers pay the Group fixed “maturity commissions” calculated on the basis of the face value of the receivable which are set by the Group based mainly on the payment history of the relevant debtors involved and on the Group’s actual and expected cost of funding. In particular, maturity commissions are paid in advance by Suppliers and recorded in the Group’s balance sheet in accordance with amortised cost criteria, on the basis of the expected time of collection. The Group’s earnings in the Non-Recourse Factoring business are derived primarily from: (i) “maturity commissions” and (ii) statutory interest for late payments received from Payors (accruing at the ECB base rate plus 7 per cent. in 2012 and plus 8 per cent. since 2013). Interest on late payments are accounted for in the Group’s income only when actually collected. Interest for late payment is often part of settlement agreements with debtors, by which the Group waives part of the interest in return for a shortening of the terms of payment.

In the Non-Recourse Factoring business, the Group purchased receivables amounting to €1,774 million and €1,714 million, respectively, for the years ended 31 December 2013 and 2012 and

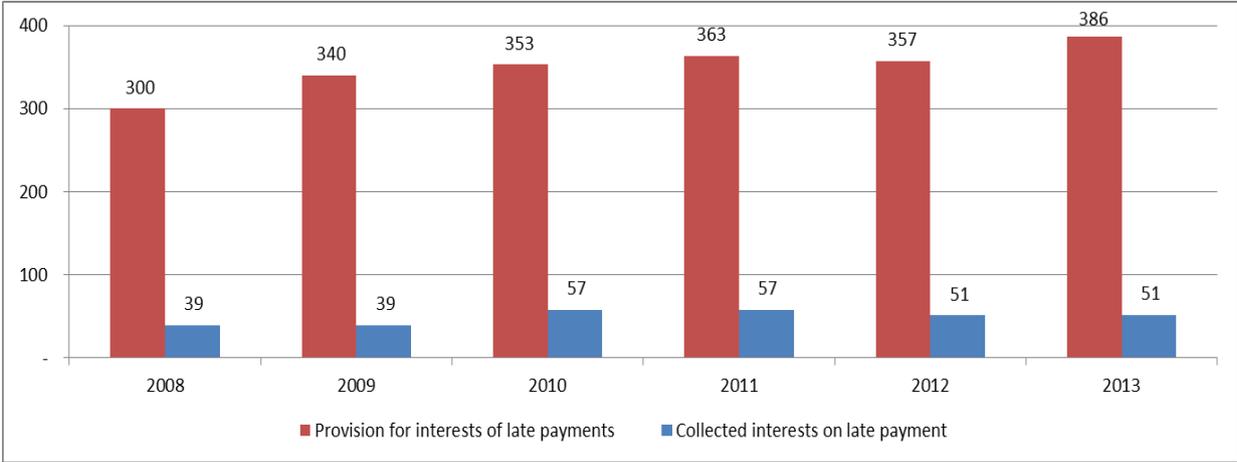
collected receivables amounting to €1,871 million and €2,005 million, respectively, for the years ended 2013 and 2012.

The table below summarises the Non-Recourse receivables purchased and collected by the Non-Recourse Factoring business for the periods indicated.



Statutory interest on late payments for purchased receivables constitutes a significant source of revenue for the Group. However, interest accrued on late payments is not recorded in the Group's balance sheet as an asset and is accounted for in the income statement only after it has actually been paid. On average, interest on late payments is received three years after the purchase of the underlying receivable. For the years ended 31 December 2013 and 2012, the Group collected €51.2 million and €50.8 million, respectively, in interest on late payments. As of 31 December 2013, total interest on late payments accrued but unpaid amounted to €386 million.

The chart below shows the amount of total interest for late payments accrued and paid as of and for the periods indicated below.



Receivables Portfolio

Due to tight underwriting standards and credit-management rules, the Group's receivables portfolio, in particular in Italy, constitutes high-quality, accurately-provisioned assets. The value of a receivable depends largely on when it is expected to be paid. The payment timing for individual Italian Public Health Payors differs significantly and is primarily influenced by the Regions in which the Italian Public Health Payors are located. For the years ended 31 December 2013 and 2012, in Italy the Group's average DSOs were 221 days and 310 days, respectively (Source: Unaudited internal management data). The sharp decrease in this figure is principally due to the positive trend in payments on the part of the Italian Public Health Payors and also because of the effects of recent changes in the regulatory

framework, as well as the favourable outcome of claims, resolutions by the Commissioner *ad acta* for implementation of the health deficit repayment plan (in the Region of Calabria) and above all by the settlement agreements with individual debtors (in the Regions of Campania, Emilia Romagna, Puglia and Sicily).

In Italy, the Group's receivables portfolio is diversified by region and sector. Analysis of average DSOs for the various regions indicates that even the Regions with the shortest average DSO (being Friuli Venezia Giulia, Trentino and Umbria) have a number of Italian Public Health Payors that are unable to settle their invoices on time.

The tables below show the volume of the Group's receivables purchased through the Non-Recourse Factoring business, broken down by region for the years ended 31 December 2013 and 2012.

Receivables by region (Non-Recourse Factoring)

	For the years ended 31 December			
	2013		2012	
	<i>(in € millions, except percentages)</i>			
INHS				
Region				
Abruzzi	39.1	2.2%	43.8	2.6%
Basilicata	13.6	0.8%	14.4	0.8%
Calabria	91.1	5.1%	2.4	0.1%
Campania	45.6	2.6%	19.1	1.1%
Emilia Romagna	140.6	7.9%	171.7	10.0%
Friuli.....	23.0	1.3%	24.6	1.4%
Lazio	135.3	7.6%	119.7	7.0%
Liguria.....	50.9	2.9%	61.5	3.6%
Lombardy.....	168.4	9.5%	178.7	10.4%
Marche	35.6	2.0%	42.2	2.5%
Molise	18.8	1.1%	8.3	0.5%
Piedmont/Valle d'Aosta.....	190.9	10.8%	195.0	11.4%
Puglia	147.9	8.3%	174.1	10.2%
Sardinia	49.5	2.8%	59.3	3.5%
Sicily	176.1	9.9%	171.8	10.0%
Tuscany	150.9	8.5%	184.8	10.8%
Trentino	8.8	0.5%	16.9	1.0%
Umbria.....	15.8	0.9%	21.9	1.3%
Veneto	178.4	10.1%	192.8	11.3%
Total INHS receivables purchased (Non-Recourse Factoring) .	1,680.2	94.7%	1,702.8	99.4%
Italian public administration receivables (Non-Recourse Factoring)	36.2	2.1%	-	-
Italian Non-Public Payors receivables (Non-Recourse Factoring)	-	-	3.2	0.2
Total receivables purchased in Spain (Non-Recourse Factoring)	57.3	3.2%	7.7	0.4%
Total receivables purchased (Non-Recourse Factoring)	1,773.7	100.00%	1,713.7	100.00%

Source: Unaudited internal management data.

The Group's core target market in its Credit Collection Management and Non-Recourse Factoring businesses is primarily pharmaceutical, biomedical and diagnostics and orthopaedics companies (the Group's primary customers) and other providers of goods and services to Public Health Payors. The Group's clients also include companies operating in other business sectors representing a minor part of the Group's business, as evidenced in the table below, which shows the volume of the Group's total receivables (through both the Credit Collection Management and Non-Recourse Factoring businesses), broken down by sector as of 31 December 2013 and 2012.

Sector	Receivables by sector					
	As of 31 December				Changes	
	2013		2012			
	% of total	% of total		% of total		%
<i>(in € millions, except percentages)</i>						
Pharmaceuticals, Biomedical and Diagnostics, Orthopaedics....	4,245.6	93.6	4,109.3	95.0	136.3	3.3
Other	289.7	6.4	217.7	5.0	72.0	33.1
Total.....	4,535.4	100.0	4,327.1	100.0	208.3	4.8

Source: Unaudited internal management data.

For the year ended 31 December 2013, the Group's top ten clients accounted for approximately 65 per cent. of its receivables for the Non-Recourse Factoring business and 65 per cent. of its managed receivables in the Credit Collection Management business (Source: Unaudited internal management data).

Regional Agreements

In Italy, certain regions have entered into government-imposed settlement plans for their outstanding invoices. These plans often involve additional financial support from the government and/or mandatory budget adjustments (including cuts in spending through closing or merging hospitals, reducing hospital beds, etc.). Funds released in connection with these settlement agreements are either: (i) paid directly by the region to settle outstanding Italian Public Health Payor invoices, pursuant to a "Regional Agreement" with Suppliers; or (ii) paid by the regions to the Italian Public Health Payors, with the Regions overseeing disbursements to ensure that Suppliers are paid.

Asset Quality

In accordance with Bank of Italy requirements, the Issuer performs impairment testing on its receivables portfolio and classifies receivables as either "performing" or "impaired". Receivables with a risk of loss are classified as impaired, while all other receivables are classified as performing (including receivables that, although past due, show no objective indication of impairment based on internal, historical or statistical information).

Impaired assets are divided into the following categories: (i) past due; (ii) restructured; (iii) doubtful; and (iv) non-performing. The definitions of these categories are provided by the Bank of Italy and are as follows:

- (i) *Past due.* Receivables are defined as "past due" when they have not been paid for more than 90 days and the payor shows some objective indication of impairment (either individually or collectively). All receivables with central administrations and central banks, public sector

entities and territorial entities will be considered past due when the payor has not made any payments for any receivables owed to the Group for more than 90 days.

- (ii) *Restructured.* Receivables are defined as “restructured” when the Group, owing to the deterioration of the economic and financial conditions of the payor, agrees to modify the original contract terms, resulting in a loss on the receivable.
- (iii) *Doubtful.* Receivables are defined as “doubtful” when the payor is in a temporary situation of objective difficulty that is expected to pass within a suitable period of time.
- (iv) *Non performing.* Receivables are defined as “non performing” when the payor is effectively insolvent (although not yet legally insolvent) or in a similarly distressed situation, regardless of any provisions for loss set aside by the Issuer.

The tables below show performing and impaired receivables of the Group deriving from Non-Recourse factoring purchases, also as a percentage of total receivables, as of 31 December 2013 and 2012.

	As of 31 December			
	2013		2012	
	<i>(€ millions, except percentages)</i>			
Performing receivables	1,119.1	99.3%	1,212.7	98.1%
Past due assets	5.8	0.5%	8.3	0.7%
Restructured assets.....	-	-	-	-
Doubtful assets.....	0.2	-	2.9	0.2%
Non-performing assets	2.4	0.2%	11.8	1.0%
Total impaired receivables	8.4	0.7%	23.0	1.9%

As a result of the Group’s debtor characteristics and the geographical distribution of its receivables portfolio, high-risk concentration is reduced, as further evidenced by a relatively low asset exposure. The Group has made provisions for non-performing receivables as of 31 December 2013. Such provisions are assessed on a case-by-case basis considering expected recovery. The Group also makes provisions for impaired receivables (other than non-performing receivables).

Financing and Liquidity

The Group meets its funding requirements through the use of committed bilateral and syndicated credit facilities, uncommitted credit facilities, structured finance transactions and its own equity. As of 31 December 2013, the Group’s miscellaneous sources of funding totalled €1,196.8 million (out of which €320 million related to structured finance transactions) which was used to finance the purchase of €1,136.6 million of receivables and €82 million of Italian government bonds (the remaining €326 million due from banks).

The Group’s credit facilities are composed of short- and medium-term financing agreements. As of 31 December 2013, the Group had total credit lines available (including both drawn and undrawn facilities) in the amount of €1,519.0 million, of which €1,167.5 million were committed credit facilities and €351.5 million were uncommitted lines. The Group’s committed lines are split between bilateral financing agreements (€654.5 million) and syndicated loans (€513.0 million).

The table below shows the types of financing drawn by the Issuer as of 31 December 2013 and 2012.

Type of financing.....	As of 31 December			
	2013		2012	
	Amount	% of Total	Amount	% of Total
	<i>(€ millions, except percentages)</i>			
Uncommitted, short-term loans.....	351.5	23.1	423.3	29.2
Committed credit lines (bilateral and syndicated)	1,167.5	76.9	1,024.0	70.8
Total	1,519.0	100.0	1,447.3	100.0

Capital Ratios

The Bank of Italy has adopted risk-based capital ratios (“**Capital Ratios**”) pursuant to EU capital adequacy and solvency directives. Italy’s current requirements are similar to the requirements imposed by the international framework for capital measurement and capital standards of banking institutions of the Basel Committee on Banking Regulations and Supervisory Practices. The Capital Ratios consist of core (Tier I) and supplemental (Tier II) capital requirements relating to the Issuer’s assets and certain off-balance sheet items weighted according to risks (“**Risk-Weighted Assets**”).

The Issuer and the Group are required to maintain, pursuant to Bank of Italy regulations, a ratio of total capital to total risk-weighted assets of at least 8 per cent. and a Tier I capital to total Risk-Weighted Assets ratio of at least 4 per cent.

The table below shows the Capital Ratios of the Issuer and the Group as of 31 December 2013, which exceed the minimum levels prescribed by the Bank of Italy.

	As of 31 December 2013	
	Group	Issuer
	<i>(€ millions, except percentages)</i>	
Tier 1 capital.....	181.3	182.9
Tier 2 capital.....	4.0	4.0
Regulatory Capital.....	185.3	186.9
Risk-weighted assets.....	861.7	643.3
Tier 1 capital ratio.....	21.0%	28.4%
Total capital ratio.....	21.5%	29.0%

The table below shows the Capital Ratios of the Issuer as of 31 December 2012, when the Issuer was operating as a financial intermediary regulated by the Bank of Italy.

	As of 31 December 2012	
	<i>(€ millions, except percentages)</i>	
	Tier 1 capital.....	177.0
Tier 2 capital.....	0.7	
Regulatory Capital.....	177.7	
Risk-weighted assets.....	1,559.8	
Tier 1 capital ratio.....	11.4%	
Total capital ratio.....	11.4%	

The increase in Regulatory Capital compared to the prior year is due to both undistributed earnings and the controlling investment in Farmafactoring España, which previously had been deducted as to 50% from Tier 1 and Tier 2 in 2012.

Since June 2013, in connection with the commencement of its banking activities, the Group has replaced Moody's Investor Service with Dominion Bond Rating Service ("DBRS") as the external credit assessment institution (ECAI) ratings agency. Following such change, a reduction occurred in risk-weighted assets compared to the prior year due to the higher credit rating attributed to the Republic of Italy by DBRS.

Furthermore, the difference in risk weighted assets between the Issuer and the Group is mainly due to the computing of the risk-weighted assets, since the individual capital requirements to meet the counterparty, market and operational credit risks are reduced by 25% as set out in the relevant regulations of the Bank of Italy, which permit this reduction for banks belonging to a banking group.

Material contracts

No material contracts have been entered into outside the ordinary course of the Issuer's business.

Network

The Issuer operates through a nationwide network of 11 independent local servicers in Italy (working exclusively for the Group) that monitor the Payors' receivables, while in Spain its monitoring activities are carried out directly by Farmafactoring España, and dispatch employees in Milan, Rome and Madrid, that are responsible for periodically visiting Payors, resolving administrative problems and liaising with Payors as to the payment terms of invoices.

In addition, the Group's proprietary Factoring System allows it to receive information from Payors' information systems, to exchange relevant documentation and to communicate with its clients.

Competition

According to Factors Chain International, in 2013, Italian factoring companies managed €136.8 billion in receivables domestically. The Italian factoring market is the third largest in Europe after the United Kingdom (€287.6 billion) and France (€161.8 billion).

The Italian factoring market is composed of a variety of operators, such as non-banking financial intermediaries, industrial financial intermediaries, specialist banks and generalist banks that adopt different approaches in terms of size of transactions, clients and debtors, and types of factoring contracts. The Italian market is highly concentrated and led by large banking institutions that typically focus on private debtors and smaller transactions, and generally have no specialist organisation to manage public administration receivables.

Mediofactoring (Intesa Sanpaolo group), UniCredit Factoring (UniCredit group) and Ifitalia (BNP Paribas group) are the major players in the Italian factoring market, accounting for over half of the market (*Source: Assifact*). In 2013 (again, according to Assifact), the Italian industry leader, Mediofactoring (Intesa Sanpaolo group), had receivables outstanding for €14.8 billion, followed by Unicredit Factoring (UniCredit group) (€11.4 billion) and Ifitalia (BNP Paribas group) (€7.6 billion).

According to Assifact, in 2013 the Issuer ranked tenth in the Italian factoring market (including both Non-Recourse and with recourse factoring) with approximately €1.2 billion of non-recourse receivables portfolio. The Group is the main factoring operator specialising in the Italian public healthcare segment, a niche in the Italian factoring market. The Group's target market, public healthcare spending in goods and services (particularly pharmaceuticals and medical devices), amounted to approximately €29.3 billion annually as of 31 December 2013, according to market data from the Italian Ministry of Economy and Finance.

Properties

As of 31 December 2013, the Group had net property and equipment equal to €12.8 million, primarily representing the value of the land and buildings used for its business in Milan (via Domenichino 5) and Rome (via Bertoloni 1/E).

Employees

As of 31 December 2013, the Group had 113 employees. The following table sets forth the number of its employees for the periods indicated:

	As of 31 December	
	2013	2012
Employees		
Senior Managers ⁽¹⁾	8	8
Managers	36	33
Other employees	69	68
Total	113	109

⁽¹⁾ Excluding the Issuer's Chief Executive Officer.

The Group applies the Italian National Collective Labour Agreement for the Financial and Banking Sector to all executive managers and other employees. As legally required, in Spain, Farmafactoring España applies its national Collective Bargaining Agreement for Financial Institutions

Pursuant to Italian law, employees in Italy can expect stability of employment and their employment can be terminated only by reason of just cause and certain statutory reasons. Upon termination of employment, employees are entitled to a severance payment based on annual salary, length of employment and inflation. For the years ended 31 December 2013 and 2012, the Issuer provisioned an additional €0.25 million and €0.25 million, respectively, for employee-severance indemnities and the total amount of such provisions at the end of such years was €0.71 million and €0.70 million, respectively.

Legal Proceedings

Enforcement of claims against Payors

The Group seeks to obtain payment of receivables from Payors with or without litigation. Generally, agreements can be reached, also in the context of outstanding litigation, with individual Payors and an agreed-upon payment schedule. In Italy, the Group brings civil actions in the Milan court to obtain an initial judgement over the enforceability of the claim and then relies upon the regional court where the Italian Public Health Payor is located to enforce the Milan court's judgement. Where a final judgement in favour is obtained, the Group generally recovers the entire principal amount of the receivable, substantially all of the interest that has accrued for late payment and a part of the relevant legal costs: In other cases, the Group settles proceedings out of court with the relevant debtor and waives a part of the interest for late payment in return for an acceleration of the terms of payments. As of 31 December 2013 and 2012, there were 644 and 567 cases outstanding in Italy, respectively, involving receivables valued at approximately €1,835 million and €1,587 million, respectively. Collections from legal proceedings over the course of the years ended 31 December 2013 and 2012 amounted to approximately €1,440 million and €1,236 million, respectively. As of 31 December 2013, in Spain there were 36 cases outstanding, respectively, involving receivables valued at approximately €33 million. Collections from legal proceedings over the course of the year ended 31 December 2013 amounted to approximately €9.3 million.

Principal Shareholders

As of 31 December 2013, Banca Farmafactoring had an authorised share capital of €130,900,000.00, entirely issued and paid up, represented by 1,700,000 ordinary shares of €77.00 each. There have been no changes to the Issuer's share capital since 31 December 2013.

The table below sets out the shareholders of the Issuer, as of 31 December 2013, including each shareholder's approximate percentage shareholding:

Name	Percentage of ordinary shares	Percentage of voting share capital
FF Holding S.p.A.	91.72	91.72
Bracco S.p.A.	3.28	3.28
Merck Serono S.p.A.	2.59	2.59
L. Molteni & C. dei Fratelli Alitti – Società di Esercizio S.p.A.	1.21	1.21
Mediolanum Farmaceutici S.p.A.	1.21	1.21
Total	100.00	100.00

As of the date of this Prospectus, Farma Holding S.à r.l., indirectly owned by the private equity fund Apax owns 94.34 of FF Holding and members of management of the Group own 5.66 per cent. of FF Holding. See “—*History*” above. As of the date of this Prospectus, FF Holding controls the Issuer by exercising the majority of votes at the Issuer's shareholder's meetings, though the Issuer is not subject to the direction and coordination (*direzione e coordinamento*) of FF Holding.

Italian corporate governance rules are designed to prevent the risk of abusive exercise of control of controlling shareholders.

Corporate Governance

The organisational documents of Banca Farmafactoring S.p.A. conform to the provisions contained in the Italian Civil Code and other special regulations regarding banking entities. The Issuer is structured according to the traditional Italian business corporate governance model with (i) a board of directors (the “**Board of Directors**”) charged with overseeing business management and (ii) a board of statutory auditors (the “**Board of Statutory Auditors**”) charged with supervising compliance with laws and as well as statutes, and monitoring the adequacy and the proper functioning of the organisational structure, the Issuer's internal controls and the Issuer's accounting and administrative system.

Pursuant to Legislative Decree No. 231 of 2001, as amended (“**Decree 231**”, which provides for the direct liability of legal entities, companies and associations for certain crimes committed by their representatives and encourages companies to adopt corporate-governance structures and risk prevention systems to stop managers, executives, employees and external collaborators from committing crimes), the Board of Directors appoints an independent supervisory board (*Organismo di Vigilanza*) charged with the task of (i) monitoring compliance with Decree 231 and (ii) proposing necessary updates to the organisational model of the Issuer. In order to supervise the actions of top management adequately, the Supervisory Board must remain fully autonomous.

Board of Directors

The members of the Board of Directors are elected for three-year terms (unless elected upon the resignation or removal of another member) by majority vote of the shareholders at annual general shareholders' meetings, and may be re-elected. Pursuant to the Italian Legislative Decree n. 385 of 1 September 1993, as amended (the Italian consolidated banking law), the members of the Board of Directors are required to abide by specific professional, ethical and independency requirements.

The following table sets forth the names, positions and principal activities of the current members of the Board of Directors. Each member's term will expire at the annual shareholders meeting called for the approval of the Issuer's annual financial statements as at and for the year ending 31 December 2014-

Name	Position with the Issuer	Principal Activities Outside the Issuer
Salvatore Messina	Chairman	Director of Banca Esperia S.p.A. Member of the independent supervisory board of Monte dei Paschi di Siena S.p.A. Sole member of the independent supervisory board of MPS Immobiliare S.p.A. Director of Università Vita-Salute San Raffaele
Massimiliano Belingheri	Chief Executive Officer	N/A
Giancarlo Rodolfo Aliberti	Vice Chairman	Director of Sisal S.p.A. Director of Sisal Group S.p.A. Chairman and Chief Executive Officer of Apax Partners S.r.l. Director of Rhino Bondco S.p.A. Director of Rhino Bidco S.p.A. Director of FF Holding S.p.A. Partner of Apax Partners Ltd. Director of Apax Partners Worldwide Holding LTD Director of Apax Partners UK Ltd.
Marco Rabuffi	Director	Director of FF Holding S.p.A.
Gabriele Cipparrone	Director	Director of Sisal S.p.A. Director of Sisal Group S.p.A. Partner of Apax Partners Ltd. Director of Orange Communications SA Director of Orange Network SA Director of Orange (Lichtenstein) AG Director of NTC Holding GP Director of NTC Parent S.à r.l.
Federico Fornari Luswergh	Director	Director of Merck Serono S.p.A. Director of Istituto di Ricerche Biomedice Antoine Marxer "RBM S.p.A." Director of Merck S.p.A. Director of Allergopharma S.p.A.
Daniele Ferrero	Director	Chairman and Chief Executive Officer of Venchi S.p.A. Director of Gruppo Mutuonline S.p.A. Sole Director of Ferdani S.r.l. Director of Idea Capital Funds Società di gestione del Risparmio-IDEA SGR S.p.A.

The business address of each of the members of the Board of Directors is Via Domenichino, 5, Milan, Italy.

Board of Statutory Auditors

Each member of the Board of Statutory Auditors is appointed by the shareholders and the board is composed of three regular auditors, one of whom is appointed as president, and two alternate auditors. Members of the Board of Statutory Auditors are elected by the shareholders for a term of three years until the date of the shareholders' meeting called for the approval of the financial statements relating to the third year of such appointment.

The Board of Statutory Auditors is part of the internal control system and its activities are carried out in compliance with the relevant regulatory requirements, including those set out by the Bank of Italy.

The following table sets forth the names, positions and principal activities of the current members of the Board of Statutory Auditors, all of whose appointments expire at the annual shareholders meeting which is called for the approval of the Issuer's annual financial statements as at and for the year ending 31 December 2014:

Name	Position with the Issuer	Principal Activities Outside the Issuer
Francesco Tabone	Chairman and Statutory Auditor	Chairman and Statutory Auditor of Adespan S.r.l. Sole Statutory Auditor of Agility Logistics S.r.l. Chairman and Statutory Auditor of Antex S.r.l. Statutory Auditor of Apogeo Consulting SIM S.p.A. Chairman and Statutory Auditor of Avery Dennison Italia S.r.l. Statutory Auditor of AZ Investimenti SIM S.p.A. Statutory Auditor of Azimut Capital Management SGR S.p.A. Statutory Auditor of Azimut Consulenza SIM S.p.A. Member of the independent supervisory board of Bwin Chairman and Statutory Auditor of B&T Environmental Energy Solutions S.p.A. Chairman and Statutory Auditor of Bel Italia S.p.A. Chairman and Statutory Auditor of C.M.G. – Costruzioni Meccaniche Gallia S.r.l. Statutory Auditor of Carlo Gavazzi S.p.A. Statutory Auditor of Carlo Gavazzi Logistics S.p.A. Statutory Auditor of Carlo Gavazzi Controls S.p.A. Statutory Auditor of Carlo Gavazzi Automation S.p.A. Statutory Auditor of Castel S.r.l. Statutory Auditor of Cipa S.p.A. Statutory Auditor of Coccinelle S.p.A. Chairman and Statutory Auditor of Con.Dor S.r.l. Chairman and Statutory Auditor of Condor Group S.p.A. Member of the independent supervisory board of Energia e Servizi S.r.l. Chairman and Statutory Auditor of Europa Benefits S.r.l. Chairman and Statutory Auditor of Fahr Servizi Aziendali Integrati S.r.l. Chairman and Statutory Auditor of FF Holding S.p.A. Chairman and Statutory Auditor of Fis Full Integrated Solutions S.p.A. Chairman of the independent supervisory board of Lexmark International S.r.l. Statutory Auditor of Mandarina Duck Statutory Auditor of Mediapason S.p.A. Sole Statutory Auditor of O.M.A. S.r.l. Chairman of the independent supervisory board of Panaria Group S.p.A. Chairman and Statutory Auditor of Picard I Surgelati Chairman and Statutory Auditor of Pomini Rubber & Plastics S.r.l. Statutory Auditor of Siolo Nuova S.p.A. Statutory Auditor of Sisal S.p.A. Statutory Auditor of Sisal Group S.p.A. Statutory Auditor of Telelombardia S.r.l.

Name	Position with the Issuer	Principal Activities Outside the Issuer
Luca Simone Fontanesi	Statutory Auditor	<p>Sole Director of Topeeka S.r.l. Chairman and Statutory Auditor of Via delle Perle S.p.A. Statutory Auditor of Videogruppo Televisione S.p.A. Chairman and Statutory Auditor of Virgin Active Italia S.p.A. Chairman and Statutory Auditor of Wolford Italia S.r.l.</p> <p>Statutory Auditor of Adespan S.r.l. Statutory Auditor of Avery Dennison Italia S.r.l. Statutory Auditor of Bel Italia S.p.A. Statutory Auditor of Carlo Gavazzi S.p.A. Statutory Auditor of Carlo Gavazzi Logistics S.p.A. Statutory Auditor of Carlo Gavazzi Controls S.p.A. Statutory Auditor of Carlo Gavazzi Automation S.p.A. Sole Director of Consortio S.r.l. Statutory Auditor of DTZ Italia S.p.A. Statutory Auditor of EL.IT.E. S.p.A. Chairman and Statutory Auditor of Energia Sud S.r.l. Statutory Auditor of Europa Benefits S.r.l. Statutory Auditor of FF Holding S.p.A. Director of Immobiliare Molgora S.p.A. Statutory Auditor of Mera S.r.l. Statutory Auditor of Pomini R&P S.r.l. Chairman and Statutory Auditor of Repower Italia S.p.A. Statutory Auditor of SEI S.p.A. Sole Director of Solemar S.r.l. Statutory Auditor of Via delle Perle S.p.A. Statutory Auditor of Virgin Active Italia S.p.A. Statutory Auditor of Wolford Italia S.r.l.</p>
Marcello Priori	Statutory Auditor	<p>Vice Chairman of the supervisory board of Banca Popolare di Milano S.c.a r.l. Chairman of the board of directors of Bipiemme Assicurazioni S.p.A. Director of Aemme Linea Energie S.p.A. Director of Alerion Clean Power S.p.A. Director of Vivigas S.p.A. Chairman and Statutory Auditor of Banca Akros S.p.A. Statutory Auditor of Bracco Imaging S.r.l. Statutory Auditor of Carrefour Italia S.p.A. Chairman and Statutory Auditor of Carrefour Italia Finance S.r.l. Statutory Auditor of Carrefour Property Italia S.r.l. Chairman and Statutory Auditor of Daf Veicoli Industriali S.p.A. Statutory Auditor of Il Bosco S.r.l. Statutory Auditor of Cavaliere Italia S.p.A. Statutory Auditor of MCS Cavaliere S.r.l. Alternate Auditor of S.S.C. S.r.l. Alternate Auditor of GS S.p.A. Alternate Auditor of Di Per Di S.r.l. Chairman of the independent supervisory board of The Royal Bank of Scotland Member of the independent supervisory board of We @ bank S.p.A.</p>

Name	Position with the Issuer	Principal Activities Outside the Issuer
Patrizia Paleologo Oriundi	Alternate Auditor	Statutory Auditor of Adespan S.r.l. Auditor of ASSOICIM Statutory Auditor of Avery Dennison Italia Sr.l. Chairman and Statutory Auditor of Chiara Vita Compagnia di Assicurazioni sulla Vita S.p.A. Statutory Auditor of Chiara Assicurazioni S.p.A. Statutory Auditor of FF Holding S.p.A. Auditor of Fondazione Antonio e Giannina Grillo Onlus Chairman of the independent supervisory board of Formamec S.c.a r.l. Chairman and Statutory Auditor of Helvetia Vita S.p.A. Statutory Auditor of ICIM S.p.A. Chairman and Statutory Auditor of Helvetia Italia S.p.A. Sole Statutory Auditor of Simoro S.r.l. Chairman and Statutory Auditor of Siolo Nuova S.p.A. Statutory Auditor of Virgin Active S.p.A. Statutory Auditor of Wolford Italia S.r.l. Statutory Auditor and member of the independent supervisory board of World Duty Free S.p.A. Statutory Auditor of Zurich Consortium S.c.a r.l.
Giovanni Maria Conti	Alternate Auditor	Executive Director of Biancamano S.p.A. Statutory Auditor of Reno Dè Medici S.p.A. Chairman and Statutory Auditor of Alerion Energie Rinnovabili S.r.l. Statutory Auditor of Fomas Hop S.p.A. Chairman and Statutory Auditor of Industries Sportswear Company S.r.l. Statutory Auditor of Mylan S.p.A. Chairman and Statutory Auditor of Reno Dè Medici Ovaro S.p.A.

In accordance with Italian law, members of the Board of Statutory Auditors are registered members of the registry of certified public accountants (*Revisori Contabili*) held by the Italian Ministry of Justice.

The business address of the members of the Board of Statutory Auditors is Via Domenichino, 5, Milan, Italy.

Conflicts of Interest

As of the date of this Prospectus, there is no actual or potential conflict of interest between the duties of any of the members of the Board of Directors or Board of Statutory Auditors of the Issuer and their respective private interests or other duties.

Recent Developments

Merger of FF Holding S.p.A. into the Issuer

On 28 March 2014, the Boards of Directors of Banca Farmafactoring and FF Holding approved the reverse merger by way of incorporation into Banca Farmafactoring of its controlling shareholder FF Holding.

According to the merger plan, Issuer's shares held by FF Holding will be cancelled and, simultaneously, the shareholders of FF Holding will receive shares of the Issuer corresponding to the stake previously held by FF Holding, without the application of any exchange ratio, *pro rata* on the basis of their participation in FF Holding.

The merger will be based on the financial statements of the Issuer and FF Holding as of and for the year ended 31 December 2013. The table below shows selected financial data extracted from the balance sheet of FF Holding as of 31 December 2013.

FF Holding		<i>(€ millions)</i>
Financial assets ⁽¹⁾		202.4
Other assets		49.7
Total assets		252.1
Equity		241.2
Indebtedness ⁽²⁾		9.5
Other liabilities		1.3
Total Liabilities and Equity		252.1

⁽¹⁾ This item represents the stake in Banca Farmafactoring.

⁽²⁾ This item represents debts owed to Banca Farmafactoring. It is expected that, as of 30 June 2014, such debts will be repaid by FF Holding.

Notice of the proposed merger was given to the Bank of Italy on 8 April 2014, pursuant to applicable laws and regulations, and the merger is expected to take place in 2014.

Portuguese activities

On 31 March 2014, the Bank of Italy was notified by the Group of its intention to operate in Portugal on a cross-border basis under the “single passport” regime and, on 23 April 2014, the Bank of Italy communicated that notification to the competent authority in Portugal. The Group then started its operations in the non-recourse factoring of receivables due from public healthcare debtors in Portugal.

SUMMARY FINANCIAL INFORMATION OF THE ISSUER

The following tables contain:

- (i) consolidated balance sheet and income statement information of the Group as at and for the years ended 31 December 2013 and 2012, derived from the Issuer's audited consolidated annual financial statements as at and for the year ended 31 December 2013; and
- (ii) non-consolidated balance sheet and income statement information of the Issuer as at and for the years ended 31 December 2013 and 2012, derived from the Issuer's audited non-consolidated annual financial statements as at and for the years ended 31 December 2013 and 2012.

This information should be read in conjunction with, and is qualified in its entirety by reference to the above-mentioned financial statements, together with the accompanying notes and auditors' reports, all of which are incorporated by reference in this Prospectus. See "*Presentation of Financial Information*" on page 4 and "*Documents Incorporated by Reference*".

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

BANCA FARMAFACTURING S.p.A.
(formerly Farmafactoring S.p.A.)

AUDITED CONSOLIDATED ANNUAL BALANCE SHEETS

Assets

	As at 31 December	
	2013	2012
	(Euro)	
Cash and cash balances	1,164	2,418
Financial assets held for trading	4,877	0
Available-for-sale financial assets	82,015,308	23,492
Due from banks	325,944,213	140,981,429
Receivables and loans	1,136,577,971	1,242,214,404
Property, plant and equipment	12,829,189	13,418,250
Intangible assets	1,121,966	1,297,819
<i>of which</i>		
- goodwill		
Tax assets	40,082,589	22,945,136
<i>a) current</i>	37,878,941	20,104,449
<i>b) deferred</i>	2,203,648	2,840,687
<i>of which convertible into tax credit Law 214/2011</i>	508,690	547,820
Other assets	9,335,903	6,559,031
Total consolidated assets	1,607,913,180	1,427,441,978

Liabilities and equity

	As at 31 December	
	2013	2012
	(Euro)	
Due to banks	804,451,120	737,000,000
Due to customers	173,437,510	129,973,626
Securities issued	320,000,000	250,000,000
Financial liabilities held for trading	547,608	2,243,875
Tax liabilities	47,015,667	40,611,985
<i>a) current</i>	35,796,523	29,274,684
<i>b) deferred</i>	11,219,144	11,337,301
Other liabilities	25,370,107	26,382,409
Employee severance indemnities	704,718	696,022
Provisions for risks and charges	3,377,133	3,283,160
<i>a) pension funds and similar obligations</i>	2,672,390	2,680,901
<i>b) other provisions</i>	704,743	602,259
Valuation reserves	4,218,569	3,822,976
Reserves	48,977,922	46,341,221
Share capital	130,900,000	130,900,000
Profit for the year	48,912,826	56,186,704
Total consolidated liabilities and equity	1,607,913,180	1,427,441,978

BANCA FARMAFACTURING S.p.A.
(formerly Farmafactoring S.p.A.)

AUDITED CONSOLIDATED ANNUAL INCOME STATEMENTS

	For the year ended 31 December	
	2013	2012
	<i>(Euro)</i>	
Interest and similar income	154,642,788	152,166,562
Interest and similar expenses	(53,644,270)	(49,642,250)
Net interest margin	100,998,518	102,524,312
Fee and commission income	10,272,469	10,111,603
Fee and commission expenses	(1,108,089)	(917,315)
Net fee and commission income	9,164,380	9,194,288
Gains / losses on trading	1,701,144	(1,720,981)
Operating income	111,864,042	109,997,619
Impairment losses/reversals on:		
a) receivables	(1,136,173)	462,091
b) available-for sale financial assets		
c) financial assets held-to-maturity		
d) other financial transactions		
Net profit from banking activities	110,727,869	110,459,710
Net profit from banking and insurance activities	110,727,869	110,459,710
Administrative expenses:		
a) personnel costs	(13,227,085)	(11,802,039)
b) other administrative expenses	(17,050,549)	(15,719,407)
Net provisions for risks and charges	(733,574)	(434,727)
Net adjustments to/writebacks on property, plant and equipment	(1,217,256)	(1,306,317)
Net adjustments to/writebacks on intangible assets	(571,938)	(466,344)
Other operating income/expenses	6,609,129	4,671,974
Operating expenses	(26,191,273)	(25,056,860)
Profit before tax from continuing operations	84,536,596	85,402,850
Income taxes on profit from continuing operations	(35,623,770)	(29,216,146)
Profit after tax from continuing operations	48,912,826	56,186,704
Profit for the year	48,912,826	56,186,704
Profit for the year attributable to owners of the parent	48,912,826	56,186,704

BANCA FARMAFACTURING S.p.A.
(formerly Farmafactoring S.p.A.)

AUDITED NON-CONSOLIDATED ANNUAL BALANCE SHEETS

Assets

	As at 31 December	
	2013	2012
	(Euro)	
Cash and cash balances	1,152	2,175
Financial assets held for trading	4,877	0
Available-for-sale financial assets	82,015,308	23,492
Due from banks	116,493,105	101,268,657
Receivables and loans	1,160,174,325	1,240,400,434
Property, plant and equipment	6,293,900	6,293,900
Tangible assets	12,722,636	13,295,356
Intangible assets	1,121,630	1,297,819
<i>of which</i>		
- goodwill	0	0
Tax assets	39,318,881	22,278,186
<i>a) current</i>	37,723,801	20,052,400
<i>b) deferred</i>	1,595,080	2,225,786
<i>of which convertible into tax credit Law 214/2011</i>	508,690	547,820
Other assets	15,146,814	14,667,381
Total assets	1,433,292,628	1,399,527,400

Liabilities and equity

	As at 31 December	
	2013	2012
	(Euro)	
Due to banks	804,451,120	737,000,000
Due to customers	324,286,847	354,734,974
Financial liabilities held for trading	547,608	2,243,875
Tax liabilities	47,011,304	40,609,452
<i>a) current</i>	35,792,160	29,272,151
<i>b) deferred</i>	11,219,144	11,337,301
Other liabilities	18,448,740	22,250,844
Employee severance indemnities	704,718	696,022
Provisions for risks and charges	3,237,495	3,123,479
<i>a) pension funds and similar obligations</i>	2,532,752	2,521,220
<i>b) other provisions</i>	704,743	602,259
Valuation reserves	4,218,569	3,822,976
Reserves	50,595,778	47,696,497
Share capital	130,900,000	130,900,000
Profit for the year	48,890,449	56,449,281
Total liabilities and equity	1,433,292,628	1,399,527,400

BANCA FARMAFACTURING S.p.A.
(formerly Farmafactoring S.p.A.)

AUDITED NON-CONSOLIDATED ANNUAL INCOME STATEMENTS

	For the year ended	
	31 December	
	2013	2012
	<i>(Euro)</i>	
Interest and similar income	152,738,715	151,102,428
Interest and similar expenses	(53,712,897)	(49,963,081)
Net interest margin	99,025,818	101,139,347
Fee and commission income	10,250,695	10,106,030
Fee and commission expenses	(846,678)	(786,671)
Net fee and commission income	9,404,017	9,319,359
Gains / losses on trading	1,701,144	(1,720,981)
Operating income	110,130,979	108,737,725
Impairment losses/reversals on:		
a) receivables	(1,136,173)	462,091
Net profit from banking activities	108,994,806	109,199,816
Administrative expenses:		
a) personnel costs	(12,723,657)	(11,329,584)
b) other administrative expenses	(16,098,909)	(14,788,350)
Net provisions for risks and charges	(753,617)	(423,754)
Net adjustments to/writebacks on property, plant and equipment	(1,197,746)	(1,287,483)
Net adjustments to/writebacks on intangible assets	(571,938)	(466,344)
Other operating income/expenses	6,858,947	4,873,659
Operating expenses	(24,486,920)	(23,421,856)
Profit before tax from continuing operations	84,507,886	85,777,960
Income taxes on profit from continuing operations	(35,617,437)	(29,328,679)
Profit after tax from continuing operations	48,890,449	56,449,281
Profit for the year	48,890,449	56,449,281

TAXATION

The statements herein regarding taxation are based on the laws in force in Italy as at the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules. This overview will not be updated by the Issuer after the Issue Date to reflect changes in laws after the Issue Date and, if such a change occurs, the information in this description could become invalid.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

*This Prospectus takes into account the provisions of Law Decree 24 April 2014, no. 66 (hereinafter the “**Law Decree no. 66/2014**”) that has been published on the Official Gazette on 24 April 2014 and it has to be converted into Law in the 60 days following the above mentioned date. In particular, pursuant the article 77 of the Italian Constitution, the law-decree is valid and effective only for 60 days, after that, if it hasn't been converted in law by the Parliament, it loses its validity and its effectiveness from the beginning. Conversion Law may provide amendments to the regime provided for by Law Decree no. 66/2014 as described in this Prospectus. Prospective purchasers of the Notes are also advised to consult their own tax advisers on the effectiveness of the provisions introduced by Law Decree no. 66/2014.*

Tax treatment of the Notes

Italian Legislative Decree no. 239 of 1 April 1996, as subsequently amended (“**Legislative Decree No. 239/1996**”), provides for the applicable regime with respect to the tax treatment of interest, premium and other similar income, including the difference between the redemption amount and the issue price (hereinafter, “**Interest**”) from the Notes.

Italian resident Noteholders

Where an Italian resident Noteholder is (i) an individual (unless he has opted for the application of the *risparmio gestito regime* — see under “*Capital gains tax*” below — where applicable); (ii) a partnership (other than *società in nome collettivo*, *società in accomandita semplice* or a similar partnership), *de facto* partnerships not carrying out commercial activities and professional associations; (iii) a public and private entity (other than a company) and trust not carrying out commercial activities; or (iv) an investor exempt from Italian corporate income taxation, Interest relating to the Notes, accrued during the relevant holding period, are subject to an *imposta sostitutiva*, levied at the rate of 20 per cent. Article 3 of Law Decree no. 66/2014 increased the tax rate of the above-mentioned *imposta sostitutiva* from 20 per cent. to 26 per cent. with regard to interest accrued as from 1 July 2014.

If the Noteholders described under (i) or (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax and may be deducted from the income tax due.

Where an Italian resident Noteholder is a company or similar commercial entity or a permanent establishment in Italy, to which the Notes are effectively connected, of a non-Italian resident entity and the Notes are deposited with an authorised intermediary, Interest from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s income tax return and are therefore subject to ordinary Italian corporate taxation (and, in certain circumstances, depending on the “status” of the Noteholder, also to IRAP — the regional tax on productive activities).

Payments of Interests relating to the Notes, deposited with an authorised intermediary, made to Italian real estate investment funds (the “**Italian Real Estate Fund**”), are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Real Estate Investment Fund. A withholding tax may apply in certain circumstances at the rate of up to 20 per cent. (or at the higher rate of 26 per cent. starting from 1 July 2014 according to provisions set forth by Law Decree no. 66/2014) on distributions made by Italian Real Estate Funds. In certain cases, a tax transparency regime may apply in respect of certain categories of investors in the Italian Real Estate Fund owning more than 5 per cent. of the fund’s units.

Where an Italian resident Noteholder is an Italian open-ended or a closed-ended investment fund (“**Fund**”) or a *società d’investimento a capitale variabile* (“**SICAV**”) and the Notes are deposited with an authorised intermediary, Interest relating to the Notes are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Fund. A withholding tax may apply in certain circumstances at the rate of up to 20 per cent. (or at the higher rate of 26 per cent. starting from 1 July 2014 according to provisions set forth by Law Decree no. 66/2014) on distributions made by the Fund or SICAV.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of Italian Legislative Decree no. 252 of 5 December 2005, as subsequently amended, “**Italian Pension Fund**”) and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11 per cent substitute tax.

Pursuant to Legislative Decree no. 239/1996, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (“**SIMs**”), fiduciary companies, *società di gestione del risparmio* (“**SGRs**”), stockbrokers and other entities identified by a decree of the Ministry of Finance (each an “**Intermediary**”). An Intermediary must (i) be resident in Italy or a permanent establishment in Italy of a non-Italian resident financial intermediary; and (ii) intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in the ownership of the relevant Notes or a transfer of the Notes to another deposit or account held with the same or another Intermediary.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by the intermediary paying Interest to a Noteholder (or by the Issuer, should the income be paid directly by the latter).

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are effectively connected, an exemption from the *imposta sostitutiva* applies, provided that the non-Italian resident beneficial owner is either (i) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy (the “**White List States**”); (ii) an international body or entity set up in accordance with international agreements which has entered into force in Italy; (iii) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (iv) an institutional investor which is incorporated in a White List State, even if it is not subject to income tax therein.

White List States are currently identified by Ministerial Decree of 4 September 1996. However, once the provisions introduced by Law 24 December 2007 no. 244 affecting the regime described above become effective, non-Italian resident beneficial owners of the Notes, without a permanent establishment in Italy to which the Notes are effectively connected, will not be subject to the *imposta sostitutiva* on Interest provided that the non-Italian beneficial owners are resident in countries included in the forthcoming Ministerial Decree (the “**Decree**”) that allow an adequate exchange of information

with the Italian Tax Authorities. The list of countries included in the above-mentioned Decree to be issued will become effective as of the tax period following the one in which the Decree will be enacted. For the five years starting from the date of publication of the Decree in the Official Gazette, States and territories that are not included in the current black - lists set forth by Ministerial Decrees of 4 May 1999, 21 November 2001 and 23 January 2002 nor in the current white list set forth by Ministerial Decree of 4 September 1996 are deemed to be included in the new white - list.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of Interest and (i) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or a SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and (ii) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked and in which the Noteholder declares itself to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is requested neither for the international bodies or entities set up in accordance with international agreements which have entered into force in Italy, nor in the case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by the Ministerial Decree dated 12 December 2001.

The *imposta sostitutiva* will be applicable at the rate of 20 per cent. (or, according to Law Decree no. 66/2014, at the rate of 26 per cent. for interest accrued starting from 1 July 2014) to be reduced according to the applicable double tax treaty, if any, to interest, premium and other income paid to Noteholders which are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy or for which the above-mentioned provisions are not met.

Capital gains tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of the net value of production for IRAP purposes) if realised by (a) Italian resident companies; (b) Italian resident commercial partnerships; (c) permanent establishments in Italy of foreign corporations to which the Notes are effectively connected; or (d) Italian resident individuals carrying out a commercial activity, as to any capital gains realised within the scope of the commercial activity carried out.

Where an Italian resident Noteholder is an individual holding the Notes not in connection with an entrepreneurial activity and certain other persons, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 20 per cent. pursuant to Legislative Decree no. 461 of 21 November 1997 (“**Legislative Decree no. 461/1997**”). Article 3 of Law Decree no. 66/2014 increased the tax rate of the above-mentioned *imposta sostitutiva* from 20 per cent. to 26 per cent. with respect to capital gains realised starting from 1 July 2014.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the standard regime for Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains

together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Under Law Decree no. 66/2014 capital losses realised prior to 31 December 2011 may be carried forward against capital gains realised after 1 July 2014 only to the extent of 48.08 per cent. of their amount. Moreover, pursuant to Law Decree no. 66/2014, capital losses realised from 1 January 2012 to 30 June 2014 may be carried forward against capital gains realised after 1 July 2014 only to the extent of 76.92 per cent. of their amount.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato regime*). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *risparmio amministrato* regime being made punctually in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes, net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under Law Decree no. 66/2014 capital losses realised prior to 31 December 2011 may be carried forward against capital gains realised after 1 July 2014 only to the extent of 48.08 per cent. of their amount. Moreover, pursuant to Law Decree no. 66/2014, capital losses realised from 1 January 2012 to 30 June 2014 may be carried forward against capital gains realised after 1 July 2014 only to the extent of 76.92 per cent. of their amount. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in its annual tax return.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 20 per cent. substitute tax to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year-end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in its annual tax return. According to Law Decree no. 66/2014, asset management tax referred to above will apply at the higher rate of 26 per cent. on the increase in value accrued starting from 1 July 2014. Moreover, under Law Decree no. 66/2014 decrease in value accrued prior to 31 December 2011 may be carried forward against increase in value of the investment portfolio accrued after 1 July 2014 only to the extent of 48.08 per cent. of their amount. Moreover, pursuant to Law Decree no. 66/2014, decrease in value accrued from 1 January 2012 to 30 June 2014 may be carried forward against increase in value of the investment portfolio accrued after 1 July 2014 only to the extent of 76.92 per cent. of their amount.

Any capital gains realised by a Noteholder which is an Italian Real Estate Fund concurs to the year-end appreciation of the managed assets, which is exempt from any income tax according to the real estate investment fund tax treatment described above. A withholding tax may apply in certain circumstances at the rate of 20 per cent. (and starting from 1 July 2014 at the rate of 26 per cent. provided by Law Decree no. 66/2014) on distributions made by Italian Real Estate Funds. As mentioned, in certain cases a tax transparency regime may apply in respect of certain categories of investors in the Italian Real Estate Fund owning more than 5 per cent. of the fund's units.

Capital gains realised by a Noteholder which is a Fund or a SICAV will be subject neither to substitute tax nor to any other income tax in the hands of the Fund or the SICAV. A withholding tax may apply in certain circumstances at the rate of up to 20 per cent. (and starting from 1 July 2014 at the rate of 26 per cent. provided for by Law Decree no. 66/2014) on distributions made by the Fund or SICAV to certain categories of investors.

Any capital gains realised by a Noteholder which is an Italian Pension Fund will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax.

The 20 per cent. final *imposta sostitutiva* (and for capital gains realised starting from 1 July 2014 at the rate of 26 per cent. provided for by Law Decree no. 66/2014) on capital gains may be payable on capital gains realised upon sale for consideration or redemption of the Notes by non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy if the Notes are traded on a regulated market in Italy or abroad and, in certain cases, subject to timely filing of required documentation (in particular, a self-declaration not to be resident in Italy for tax purposes), even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

In case the Notes are not traded on a regulated market in Italy or abroad, pursuant to the provisions of article 5 of Legislative Decree no. 461/1997, non-Italian resident beneficial owners of the Notes without a permanent establishment in Italy to which the Notes are effectively connected are exempt from *imposta sostitutiva* in Italy on any capital gains realised, upon sale for consideration or redemption of the Notes, if they are resident, for tax purposes, in a White List State as defined above.

In such case, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold the Notes with an Italian authorised financial intermediary, in order to benefit from exemption from Italian taxation on capital gains, such non-Italian residents may be required to timely file with the authorised financial intermediary an appropriate self-declaration stating they are resident for tax purposes in a White List State.

Exemption from Italian *imposta sostitutiva* on capital gains realised upon disposal of Notes not listed on a regulated market also applies to non-Italian residents who are (a) international bodies and organisations established in accordance with international agreements ratified in Italy; (b) certain foreign institutional investors established in White List States, even if not subject to income tax therein; and (c) Central Banks or other entities, managing also official State reserves.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Notes.

In such case, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold the Notes with an Italian authorised financial intermediary, in order to benefit from exemption from Italian taxation on capital gains, such non-Italian residents may be required to timely file, with the authorised financial intermediary, appropriate documents which include, *inter alia*, a certificate of residence issued by the competent tax authorities of the country of residence of the non-Italian residents.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-resident persons and entities in relation to Notes deposited for safekeeping or administration at Italian banks, SIMs and other eligible entities, but non-resident noteholders retain the right to waive this regime. Such waiver may also be exercised by non-resident intermediaries in respect of safekeeping, administration and deposit accounts held in their names in which third parties' financial assets are held.

Italian inheritance and gift tax

Under Law Decree no. 262 of 3 October 2006 (converted with amendments into Law no. 286 of 24 November 2006), as subsequently amended, transfers of any valuable asset (including shares, bonds or other securities) as a result of death or gift or gratuities are taxed as follows:

- (a) transfers in favour of spouses, direct ascendants or descendants are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the entire value of the inheritance or the gift exceeding Euro 1,000,000.00 for each beneficiary;
- (b) transfers in favour of relatives within the fourth degree, ascendants or descendants relatives in law or other relatives in law within the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the entire value of the inheritance or the gift exceeding Euro 100,000.00 for each beneficiary; and
- (c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax applies on the value exceeding Euro 1,500,000.00.

Transfer tax

Transfer tax has been repealed by Law Decree no. 248 of 31 December 2007, converted in law by Law no. 31 of 28 February 2008. The transfer deed may be subject to registration tax at a fixed amount of Euro 200.

Wealth tax

According to article 19 of Law Decree of 6 December 2011, no. 201 ("**Law Decree no. 201/2011**"), converted with Law of 22 December 2011, no. 214, Italian resident individuals holding financial assets — including the Notes — outside of the Italian territory are required to pay a wealth tax at the rate of 0.2 per cent. The tax applies on the market value at the end of the relevant year or — in the lack of the market value — on the nominal value or redemption value of such financial assets held outside of the Italian territory. Taxpayers are enabled to deduct from the tax a tax credit equal to any wealth taxes paid in the State where the financial assets are held (up to the amount of the Italian wealth tax due).

Stamp duty

According to Article 19 of Law Decree no. 201/2011, a proportional stamp duty applies on a yearly basis at the rate of 0.2 per cent. on the market value or — in the lack of a market value — on the nominal value or the redemption amount of any financial product or financial instruments.

For investors other than individuals, the annual stamp duty cannot exceed the amount of Euro 14,000,00. Based on the wording of the law and the implementing decree issued by the Italian Ministry of Finance on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 9 February 2011) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

EU Savings Directive and implementation in Italy

Legislative Decree no. 84 of 18 April 2005 (“**Legislative Decree no. 84/2005**”) implemented in Italy, as of 1 July 2005, the European Council Directive no. 2003/48/EC on the taxation of savings income. Under the Directive, Member States, if a number of important conditions are met, are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within their jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). Luxembourg announced that it had decided to apply information exchange as per the EC Council Directive 2003/48/EC as from 1 January 2015. The final form of the measures is still unknown.

Same details of payments of interest (or similar income) shall be provided to the tax authorities of a number of non-EU countries and territories, which have agreed to adopt similar measures with effect from the same date. Belgium announced that it had decided to apply information exchange as per the EC Council Directive 2003/48/EC as of 1 January 2010. Therefore, with regard to Belgium, the transitional period ended on 31 December 2009.

Under Legislative Decree no. 84/2005, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement between the Issuer and the Lead Manager dated 9 June 2014 (the "**Subscription Agreement**"), the Lead Manager has agreed to subscribe and pay for the Notes on the Closing Date. The Issuer has agreed to pay commissions to the Lead Manager and to reimburse certain of its expenses incurred in connection with the management of the issue of the Notes. The Lead Manager is entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States of America

The Notes have not been and will not be registered under the Securities Act or any state securities laws in the United States. The Notes are being offered only outside the United States by the Lead Manager to certain investors in offshore transactions in reliance on Regulation S, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, "U.S. persons", except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

The Lead Manager has represented and warranted that it has not offered and sold the Notes, and that it will not offer and sell the Notes (a) as part of its own distribution at any time or (b) otherwise until forty (40) days after the later of the commencement of the offering and the Closing Date, except in accordance with Rule 903 of Regulation S. Accordingly, neither the Lead Manager nor any of its Affiliates (as defined in Rule 405 of the Securities Act) nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Notes, and the Lead Manager has represented and agreed that it has complied and will comply with the offering restrictions requirement of Regulation S. The Lead Manager has agreed that, at or prior to confirmation of sale of the Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases the Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

*"The securities covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered and sold within the United States or to, or for the account or benefit of, "U.S. persons" (i) as part of their distribution at any time or (ii) otherwise, until forty (40) days after the later of the commencement of the offering and the Closing Date, except pursuant to an exemption from, or in a transaction not subject to, the regulation requirements of the Securities Act. Terms used above have the meanings given to them by Regulation S."*

Terms used in the above paragraph have the meanings given to them by Regulation S.

The Lead Manager has represented, warranted and agreed with the Issuer that:

- (a) except to the extent permitted under U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**D Rules**"):
 - (i) it has not offered or sold, and during the forty (40) day restricted period will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person; and
 - (ii) it has not delivered and will not deliver in definitive form within the United States or its possessions any definitive Notes in bearer form that are sold during the restricted period;
- (b) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person

who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

- (c) if it is a United States person, (i) it is acquiring the Notes in bearer form for the purposes of resale in connection with their original issue and (ii) if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulation §1.163-5(c)(2)(i)(D)(6); and
- (d) with respect to each Affiliate (as defined in Rule 405 of the Securities Act) of the Lead Manager that acquires Notes in bearer form from the Lead Manager for the purpose of offering or selling such Notes during the restricted period, the Lead Manager undertakes to the Issuer that it will either (i) repeat and confirm the representations and agreements contained in sub-paragraphs (a), (b) and (c) on its behalf or (ii) obtain from such affiliate for the benefit of the Issuer the representations and undertakings contained in sub-paragraphs (a), (b) and (c) above.

Terms used in the above paragraph have the meaning given to them by the United States Internal Revenue Code of 1986 and regulations thereunder, including the D Rules.

In addition, until forty (40) days after the commencement of the offering, an offer or sale of securities within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Lead Manager has acknowledged that the Notes will be represented upon issuance by the Temporary Global Note which is not exchangeable for Permanent Global Notes or definitive Notes until the expiration of the 40-day distribution compliance period and, for persons other than distributors, until certification of beneficial ownership of the Notes by a non-U.S. person or a U.S. person who purchased securities in a transaction that did not require registration under the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

United Kingdom

The Lead Manager has represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Notes has not been authorised by CONSOB pursuant to Italian securities legislation and, accordingly, the Lead Manager has represented and agreed that no Notes may be offered, sold or delivered, directly or indirectly, nor may copies of the Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*) as defined under Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (otherwise known as the *Testo Unico della Finanza* or the "**TUF**"), as implemented by Article 26, paragraph 1(d) of CONSOB Regulation No. 16190 of 29 October 2007, as amended ("**Regulation No. 16190**"), pursuant to Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended (otherwise known as the *Regolamento Emittenti* or the "**Issuer's Regulation**"); or

- (b) in circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the TUF and implementing CONSOB regulations, including the Issuer's Regulation

Any such offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Republic of Italy must be made in compliance with the restrictions under (a) and (b) above and:

- (1) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the relevant provisions of the TUF, Regulation No. 16190 and Legislative Decree No. 385 of 1 September 1993, as amended (otherwise known as the *Testo Unico Bancario* or the "**TUB**");
- (2) in compliance with Article 129 of the TUB and the implementing guidelines of the Bank of Italy, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy or by Italian persons outside of Italy; and
- (3) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other Italian authority.

General

No action has been or will be taken in any jurisdiction by the Issuer or the Lead Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer and the Lead Manager to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession or distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

The Lead Manager has represented, warranted and agreed that it will, to the best of its knowledge and belief, comply with all the relevant laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus or any other offering material, in all cases at its own expense.

GENERAL INFORMATION

Authorisation

The creation and issue of the Notes has been authorised by a resolution of the Issuer's Board of Directors dated 23 May 2014.

Listing and Admission to Trading

Application has been made to the Irish Stock Exchange for the Notes to be admitted to trading on its regulated market and to be listed on the Official List. Admission is expected to take effect on or about the Closing Date.

Expenses related to Admission to Trading

The total expenses related to admission of the Notes to trading are estimated at €5,190.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on its regulated market for the purposes of the Prospectus Directive.

Legal and Arbitration Proceedings

Save as disclosed in "*Description of the Issuer – Legal Proceedings*", neither the Issuer nor any member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer or the Group.

Significant/Material Change

Save as disclosed in "*Description of the Issuer – Recent Developments*", since 31 December 2013 there has been no material adverse change in the prospects of the Issuer and no significant change in the financial or trading position of the Group.

Auditors

The consolidated financial statements of the Group as at and for the year ended 31 December 2013 and the non-consolidated financial statements of the Issuer as at and for the years ended 31 December 2013 and 2012 have been audited without qualification by PricewaterhouseCoopers S.p.A., which is registered under No. 119644 in the Register of Accountancy Auditors (*Registro Revisori Legali*) by the Italian Ministry of Economy and Finance, in compliance with the provisions of the Legislative Decree No. 39 of 27 January 2010. PricewaterhouseCoopers S.p.A., which is located at Via Monte Rosa 91, 20149 Milan, Italy, is also a member of ASSIREVI (the Italian association of auditing firms).

Documents on Display

For so long as the Notes remain outstanding, physical or electronic copies of the following documents may be inspected during normal business hours at the offices of the Fiscal Agent at 13th Floor Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom:

- (a) the By-laws (*statuto*) of the Issuer;
- (b) the Agency Agreement;

- (c) the Deed of Covenant;
- (d) the audited consolidated and non-consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2013; and
- (e) the audited non-consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2012.

A copy of this Prospectus and any document incorporated by reference in this Prospectus will also be available for viewing on the website of the Irish Stock Exchange (www.ise.ie).

Interests of natural and legal persons involved in the issue/offer

The Lead Manager and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Lead Manager and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the account of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Lead Manager or its affiliates that have a lending relationship with the Issuer may routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Lead Manager and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Lead Manager and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities or instruments.

Yield

On the basis of the issue price of the Notes of 99.434 per cent. of their principal amount (plus accrued interest), the gross real yield of the Notes is 2.95 per cent. on an annual basis. Such amount is not, however, an indication of future yield.

Legend Concerning US Persons

The Notes and any Coupons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

ISIN and Common Code

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Notes have the following ISIN and common code assigned to them:

ISIN: XS1075173085

Common code: 107517308

ISSUER

Banca Farmafactoring S.p.A.

Registered office:
Via Domenichino, 5
20149 Milan
Italy

LEAD MANAGER

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

FISCAL AGENT AND PAYING AGENT

Citibank, N.A., London Branch

13th Floor Citigroup Centre
Canada Square
Canary Wharf, London E14 5LB
United Kingdom

LEGAL ADVISERS

To the Issuer as to English and Italian law:

White & Case LLP

5 Old Broad Street
London EC2N 1DW
United Kingdom

Piazza Diaz 1
20123 Milan
Italy

To the Lead Manager as to English and Italian law:

Gianni, Origoni, Grippo, Cappelli & Partners

6 - 8 Tokenhouse Yard
London EC2R 7AS
United Kingdom

Piazza Belgioioso, 2
20121 Milan
Italy

Via delle Quattro Fontane, 20
00184 Rome
Italy

AUDITORS TO THE ISSUER

PricewaterhouseCoopers S.p.A.

Via Monte Rosa, 91
20149 Milan
Italy

LISTING AGENT

Arthur Cox Listing Services Limited

Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland