

GE Commercial Finance  
Factofrance



# 2004 Annual Report



GE imagination at work



# 01

## The CEO's statement

Following a disappointing year in 2003, with a growth of only 0.6%, the French economy made a significant upturn in 2004 and expanded by 2.3%.

The Factoring industry reaped the benefits of this stronger economic environment, with a double-digit growth rate. It shows that large companies express rising interest in factoring solutions as a means of outsourcing the management of their accounts receivable, thanks to the efficient tools we propose.

As a result, our digitization efforts, undertaken in 2003 and focused on electronically signed transfers of invoices and financings, started to pay off in 2004. A significant share of our customers' portfolio now exchanges data through our «e.f@ctoring» service.

Overall, the quality of our tools enables us to develop the company further while maintaining strong control on margins. However, dealing with a tougher competitive environment is our next challenge.



Thierry WILLIÈME



# 02

## Economic Environment

The French economy grew by 2.3% in 2004 thanks to an exceptionally high number of workdays. Without this effect, growth would have been closer to 2.1%. Still, this is a better result than in 2002 and 2003, when growth was only 1.1% and 0.6% respectively.

After two very strong quarters, mainly fuelled by a recovering private demand, the economic environment started to deteriorate during the summer.

As a consequence, companies had to review their perspectives down and started to cut investments. Even the improvements seen on the employment market now seem to be in jeopardy. For the next quarters, growth expectations remain around 2%, a rhythm that is too low to reduce unemployment and improve public deficits.

On the other hand, 2004 was an excellent year for the global economy, as worldwide growth approached 5% and international exchanges soared by 10%. As usual, some major imbalances went together with those strong numbers.

The resulting boost in demand pushed raw materials, oil and transportation prices significantly higher, a movement amplified further by geopolitical tensions and speculation. The impact was a reduced purchasing power for dependent countries that eventually weighted on the world economy as a whole.

The current lack of balance of the US economy represents a more insidious challenge. The US trade balance deficit recently rose to 5.5% of the GDP, and a return to equilibrium is not in sight.

# 03

## Domestic Activity

2004 marked the return to a solid growth pace for the Factoring industry. After 2 mild years, market growth reached 11.3% in 2004, notably higher than in 2003 (+3.8%) and 2002 (+1.4%).

Our Group acquired more than €22.2 billion worth of invoices, a 10.7% rise over last year, in line with the Factoring industry as a whole.

The fall of Euribor interest rates, though softer than in 2003, negatively impacted all our business lines. Average Euribor rate was 2.11% in 2004 compared to 2.33% in 2003, a 9% decrease.

### GE Factofrance

In 2004, Classic Factoring made an impressive rebound and jumped 10%, almost in line with the industry.

Once again, our Confidential Factoring activity ("Financements Spéciaux") largely contributed to the excellent performance of GE Factofrance, with a 20% increase.

Overall, the Group reached a double-digit volume growth rate. However, falling interest rates weighted on the financing margin, and, as a consequence, net income was slightly lower than in 2003.

### Factobail

Factobail is a wholly-owned subsidiary of GE Factofrance, with a focus on IT and Telecom customers. Its volume rose 14% in 2004, notably thanks to the excellent performance of a key Telecom contract.

It also divested its non-strategic leasing activity, whose higher level of default negatively impacted Factobail's performance in 2004. As a result, net income is slightly lower than in 2003.

### Hervet Factor

After a jump of 16% in 2003, Hervet Factor maintained its pace with an 18% volume surge in 2004, to €456 million. Hervet Factor is a joint venture with Banque Hervet, and its results are consolidated into GE Factofrance.

### Factocic

Following an excellent performance in 2003, when its volume soared by 8%, Factocic grew by another 9% in 2004. The development of its confidential factoring activity "Orfeo" largely contributed to this positive outcome. However, slightly higher default rates and lower interest rates weighted on the net income, which only increased by 4%.



# 04

## International Activity

The share of our international activity rose to 9.3% of our total volume in 2004, from 8.6% in 2003, thanks to the great performance of Cofacrédit and the expansion of Factexport, Factocic's international arm.

### Import factoring

Import volume and income are stable compared to 2003. Our partners are mainly Italy, Norway, Spain and Turkey. These four countries represent more than 50% of our Import factoring activity.

**Cofacrédit** (our joint venture with Coface, specialized in Export transactions)

After a disappointing performance in 2003, Cofacrédit posted excellent results in 2004 as volume rose 13.5% compared to 2003.

Euro-zone activity increased slightly and accounted for 55% of the average financing. In the meantime, activity in the rest of Europe remained stable at 20% of Outstanding.

Despite a positive evolution on the volume side, the net income increase was quite limited. This is due to the non-recurrence of exceptional income booked in 2003.



# 05

## Outlook for 2005

In June 2005, the French Government reduced its growth forecast for the year to 2%, and many analysts expect a number that is even lower, between 1.5% and 1.8%.

This is mainly due to higher oil prices and a weaker economic environment in Italy and Germany, France's largest trade partners.

Besides, household consumption, which used to be the sole growth engine, is showing some signs of weakness as the job market is currently deteriorating.

As a consequence, the foreseeable future remains very uncertain.



06

# GE Factofrance SNC Financial Statements at December 31, 2004



## BALANCE SHEETS AT DECEMBER 31, 2003 AND DECEMBER 31, 2004

ASSETS (in thousands of euros)	31.12.04	31.12.03
Cash, due from Central banks	28 472	94
Due from banks and Financial Institutions	159 421	89 957
Client loans	57 776	44 213
Factoring agreements	2 580 773	2 431 718
Bonds and fixed rate securities	13 000	0
Long term investment securities	3 949	3 950
Investments in subsidiaries and affiliates	7 137	7 100
Intangible fixed assets	978	202
Tangible fixed assets	3 506	3 687
Other assets	1 514	7 183
Accruals and deferrals	3 174	4 950
<b>TOTAL</b>	<b>2 859 700</b>	<b>2 593 054</b>

LIABILITIES (in thousands of euros)	31.12.04	31.12.03
Due to central banks	0	0
Due to banks and Financial Institutions	246 564	179 907
Client accounts	2 115 629	1 931 873
Securitized debt payables	40 450	56 721
Other liabilities	22 864	27 603
Accruals and deferrals	11 479	11 135
Provisions for general risks and commitments	2 662	2 487
General reserves for banking risks - Fonds pour risques bancaires généraux (FRBG)	20 372	20 372
Shareholders' equity (General reserves for banking risks - FRBG excluded)	399 680	362 955
<i>Common stock</i>	<i>300 000</i>	<i>300 000</i>
<i>Reserves</i>	<i>54 849</i>	<i>24 849</i>
<i>Carry over</i>	<i>7 498</i>	<i>0</i>
<i>Net income</i>	<i>37 333</i>	<i>38 107</i>
<b>TOTAL LIABILITIES</b>	<b>2 859 700</b>	<b>2 593 054</b>

OFF BALANCE SHEETS COMMITMENT (in thousands of euros)	31.12.04	31.12.03
<b>COMMITMENT FROM GEF</b>		
Financing commitments		
Stand-by Commitments to financial institutions	113 657	93 000
Commitments to customers		
Guarantee Commitments		
Others Commitments to Financial Institutions	218 640	214 180
Commitments to customers		
<b>COMMITMENT TO GEF</b>		
Financing commitments		
Commitments received from financial institutions		
Commitments received from customers		
Guarantee Commitments		
Commitments received from financial institutions	85 525	87 500
Commitments received from customers		

Income statements at December 31, 2003 and December 31, 2004 (in thousands of euros)	31.12.04	31.12.03
+ Net interest revenue (and equivalent) :	69 751	73 978
- Dividends / Interest paid	26 951	31 720
+ Floating rate income	4 766	4 697
+ Commissions (revenue)	66 304	61 552
- Commissions (expense)	933	1 136
+ Revenue from other financial activities	33 275	32 347
- Expenses from other financial activities	720	732
<b>Net banking income</b>	<b>145 492</b>	<b>138 986</b>
- Operating expenses	88 207	81 049
- Amortization and depreciation for intangible and tangible assets	2 166	2 085
<b>Gross operating income</b>	<b>55 119</b>	<b>55 852</b>
+/- Cost of risk	- 593	- 2 688
<b>Operating income</b>	<b>54 526</b>	<b>53 164</b>
+/- Gains on assets	- 2	0
<b>Earnings before tax</b>	<b>54 524</b>	<b>53 164</b>
+/- Exceptional items	0	2 531
- Income tax	17 191	17 588
<b>Net income</b>	<b>37 333</b>	<b>38 107</b>

# GE Commercial Finance

## Factofrance

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GE Factorance SNC



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