



# Annual Report 2003



GE imagination at work

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The financial year 2003 has been the first full financial year of GE Factofrance's new structure. That is to say after integration of the Banque Sofirec and after entering the General Electric ever-changing world. We had hoped for a better economic environment accompanying these two events. But fundamental principle dictates that companies have to perform as good as possible, whatever the economic conditions may be.

At the same time, also our shareholder has undergone changes. On the one hand, the finance line of business, GE Capital, has been divided into four entities: GE Commercial Finance (to which we belong), GE Consumer Finance, GE Equipement Management and GE Insurance. On the other hand, under pressure of the market condition, an important effort of transparency and control has been undertaken. This has been conducted with the aim of clearly differentiating General Electric from the conglomerates that had been in the news in 2003. This has had several effects on GE Factofrance; a high pressure from the compliance and finance lines of business in order for us to be in line with standards, but also a greater visibility on the control reporting line. Through the decision of top management who made it perfectly clear that GE Factofrance had to become the European platform for client account receivable financing, sometimes remaining uncertainties about GE's commitment towards factoring were dispensed with -once and for all.

Regarding the activity volume, the net results and the return on capital and taking into account the circumstances in general, the financial year can be considered as satisfactory even if it will not be record breaking year. We did not give way to pressure to develop at all costs with the danger of sacrificing margins and the control of risks also as a result of a reorientation of files originally from Sofirec. For this reason the volume growth is slightly below that of the market, but the net result can, in spite of a slight drop, certainly be considered as very good.

As far as the evolution of our services is concerned, we did not give up our efforts to be creative in order to adapt our services to our clients' expectations. Trials with dematerialization as well the transmission of invoices and financing through covered by the electronic signature have therefore been undertaken with a careful approach. They should lead to a significant increase in 2004.

A new General Manager has been appointed to take over the Chief Executive Officer position. We therefore think that, in line with our post-acquisition plan, we have placed GE Factofrance in a good position in order to take advantage of the recovery.

Michel AUSSAVY

# 01

## The CEO's statement



The analysis of the world economic evolution in 2003 brings to the fore a certain new sense of optimism after 2 years of a gloomy economic climate and loss of confidence, with a return to moderate growth, which was more evident in the United States and in Asia, while Europe experienced a weaker recovery. This upturn can seem paradoxical, as one of the salient events of the year was the launching of a war that could have ruined all hope for recovery. Now, indicators are convergent and reveal, especially at the end of the year, a recovering of the world economy, a trade increase, a rebound of the financial as well as stock exchange markets and at last a renewed confidence of companies and households.

France experienced about the same evolution as its European partners, marked by a very poor semester, then by the beginning of a recovery over the second semester. The GDP growth reached 0.4% in the third semester and the business climate has recovered at the end of the year. Over the whole year, the GDB growth will have been 0.5%, which is a good surprise.

Companies recorded a profit erosion, of about 4%. This is mostly due to the quasi-stagnation in terms of volume, together with an increase in energy and salaries costs. However we note an encouraging sign with respect to investments.

The 2003 financial year was a quiet year as far as interest rates are concerned. In the first semester, continuing the trend of the end of 2002, the short-term rates decrease carried on. The 3-month Euribor decreased from 2.90% to 2.15% in June and this downward trend was confirmed by the ECB, and caused its sole prime rate fall by 50 basic points down to 2%.

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# Financial year review

It is in this context that GE FactoFrance group developed its activity in a global factoring market growing by 3.8% in 2003 against 1.4% in 2002, according to the figures published by the Association of Financial Companies (ASF).

The Group passed the 20 Billion € mark of factored receivables, which represents a 0.5% growth, lower than the market growth. In terms of income, all the companies of the Group suffered from the high drop of the 3-month Euribor, which was 2.33% on an average basis in 2003 against 3.332% the year before.

#### **Factoring at GE FactoFrance:**

This activity experienced a quite difficult year and as a result recorded an almost 9% decrease compared to 2002. The portfolio of existing clients, suffered from the listlessness of the French economy. The impact of this poor performance has partly been balanced, at least in terms of volume if not commissions, by the Special Financings volume that recorded a 25% growth in 2003, therefore increasing its weight in the global volume of GE FactoFrance. Taken as a whole, in a generally morose context, GE FactoFrance recorded satisfactory results, thanks to an efficient control of expenses and especially of risks at the level of clients as well as debtors despite the upsurge of bankruptcies in 2003.

#### **Factoring and leasing through Factobail:**

Factobail, a 100% subsidiary of GE FactoFrance, is specialized in the micro computing and office automation sectors. Its activity for this financial year was disappointing as it recorded a 12% fall compared to 2002 due to the transfer of an important contract to GE FactoFrance, but also to the telecommunication sector lifelessness. Moreover, the activity of Siemens Factor, a joint-venture company created in 1999 with Siemens Finance, was terminated at the end of the 1st semester. Factobail continues to control its clients risk and by the way an important reserve write-back allowed to significantly improve the company result.

#### **Factoring with Fortis Banque:**

This business, developed within the scope of BPC Factor, a joint-venture company with the BPC bank absorbed by Fortis Banque, ceased at the end of the 1st semester 2003, in accordance with the agreement signed with Fortis Banque.

#### **Factoring with the Banque Herve:**

This business recorded a new financial year with a 16% growth compared to 2002 with a factored volume of 385 million euros. This business was created in partnership with Banque Herve under the name of Herve Factor, a joint-venture company, the accounts of which are integrated into the GE FactoFrance accounts.

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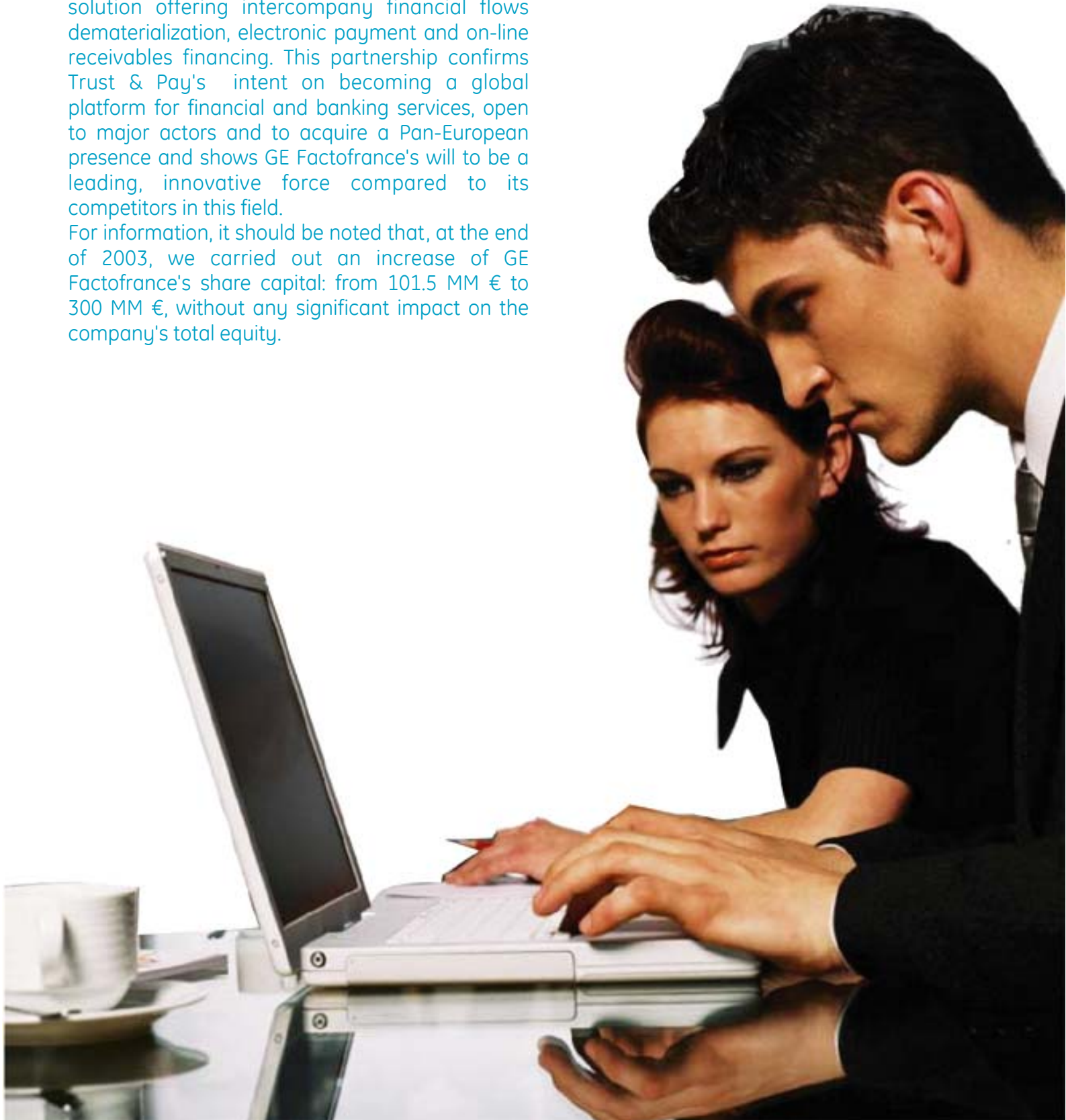
# Factoring in France

## Factoring with the Banks of the Crédit Mutuel/CIC Group:

Factocic continues, despite a weak growth of the market, with an evolution of its volume close to 8% but with at a less sustained rhythm than in 2002 (17%). The banks of the CIC Group continue to be the reference banks of small and medium companies. The net result of this financial year is up 2.1% compared to the previous financial year.

A important fact in 2003 : GE Factofrance acquired a 12% interest in the capital of Trust & Pay, first operator in France able to propose a global solution offering intercompany financial flows dematerialization, electronic payment and on-line receivables financing. This partnership confirms Trust & Pay's intent on becoming a global platform for financial and banking services, open to major actors and to acquire a Pan-European presence and shows GE Factofrance's will to be a leading, innovative force compared to its competitors in this field.

For information, it should be noted that, at the end of 2003, we carried out an increase of GE Factofrance's share capital: from 101.5 MM € to 300 MM €, without any significant impact on the company's total equity.



# International activities

International activities experienced a weak evolution after a satisfactory 2002 financial year in terms of growth. The export business stagnates while import business keeps on growing, +5% compared to 2002.

The relative part of the international business in the total volume of the Group is 8.6%, unchanged compared to 2002.

## Import factoring:

The import business, showed a sustained growth in 2003, among others as a consequence from the contribution by Turkey and Norway, as well as from an increase in "collection only" volume (+28%). The main business originating countries are Italy, closely followed by Norway, Portugal, Spain and Turkey.

## Cofacredit, subsidiary with COFACE, specialized in Export transactions:

Cofacredit sees its volume stagnate, with slightly more than 1.3 Billion euros of factored volume. Several reasons explain this stagnation that actually corresponds to a fall in the existing portfolio.

- In a hard economic context, the clients of Cofacredit did their best to maintain their domestic market shares, to the detriment of their international development
- The performance of the German economy significantly curtailed exports to this country
- At last, the constant dollar's rise against the euro penalized the French exports to North America.

Thanks to a good cost control and to a low level of bad debts, Cofacredit succeeded in improving its result in 2003 and achieved a +22% growth compared to 2002.



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## Outlook for 2004



Two years and a half after the shock of the attacks of September 11, 2001 that had preceded a generalized expansionist monetary policy, the growth of the world economy should reach its peak. According to the IMF, it should be 4.6% on an average in 2004, thanks to the acceleration of the booming Chinese economy and to the vigorous American recovery but also to the Latin American and Japanese rebound. Only Europe would lag behind with a growth of below 2%.

The expected world growth should mean an explosion of the cost of raw materials primarily oil and steel.

In the countries belonging to the euro area, the external impetus given by the international exchange acceleration hardly balances the internal demand. Thus the fall of the dollar penalizes the European manufacturers high growth markets whereas the general weakness of the internal demand weighs on trade between the European countries. As a result the European economies are primarily handicapped by the low demand generated by households especially in Germany.

For 2005, the European Commission foresees a 2.3% growth for the euro area would be comparable to the Japanese growth and close to the expected 3.2% growth of the United States economy.

In 2003, the growth in France (0.5%) has been slightly higher compared to the euro area (0.4%). According to the European Commission, this difference will disappear during this year, with the same 1.7% rhythm of growth.

In this context, it is likely that the market growth rates to still be very far from the levels recorded in the nineties. The goal is to maintain our margins and, through a good control of our risks, to continue maintaining our level of profitability. The new products linked to dematerialization and to on-line financing were developed in order to allow us to keep a competitive edge compared over our direct competitors and to clearly maintain our Nr. 1 ranking in the factoring market.

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# Report of the Chief Executive Officer to the Ordinary General Meeting of May 05 2004



## Financial Year 2003

We convened you to the Ordinary General meeting in accordance with the law and the articles of association of your company to account for the operations performed during the financial year which ended on December 31, 2003 and to submit accounts and balance sheet statements as of December 31, 2003 for your approval.

The analysis of the world economic evolution in 2003 brings to the fore a certain new lease of optimism, after 2 years of gloomy economic climate and of confidence loss, with a shift and a return to a certain growth, more pronounced in the United States and in Asia, while Europe experienced a weaker recovery. This upturn can seem paradoxical, as one of the striking events of the year will have been the launching of a war that could have ruined all the recovery hopes. Now, indicators are convergent and reveal, especially at the end of the year, a recovering world economy, a trade increase, a rebound on financial markets as well as on stock exchange markets and at last a confidence renewal from companies and households.

France experienced about the same evolution as its European partners, marked by a very poor semester, then by a beginning of a recovery during the second semester. The GDP growth reached 0.4% in the third semester and the business climate has recovered at the end of the year. Over the whole year, the GDB growth will have been 0.5%, which is a good surprise.

Companies recorded a profits erosion, decreasing by about 4%. This is mostly due to the activity quasi-stagnation in terms of volume, together with an increase in energy and salaries costs. However we note an encouraging sign as regards investments.

The 2003 financial year was a quiet year as concerns interest rates. In the first semester, in the continuation of the end of 2002, the short term rates decrease has carried on. The 3-month Euribor decreased from 2.90% down to 2.15% in June and this downward trend was confirmed by the ECB, which initiated its sole prime rate fall by 50 basic points down to 2%.

## The results of the Group activity

The Chief Executive Officer reminds that the company carried out a reduction in capital of € 94,250,000 followed by an increase in capital of € 292,750,000 to bring the share capital up to € 300,000,000. Moreover, a new tax consolidation method integrating our company has been implemented on January 1, 2003. The Group head company is GEC S.A.S in which the financial statements of our company are consolidated.

Pursuant to regulation, we present in this report the publishable accounts for the financial year ending December 31, 2003. The annual balance sheet and the profit and loss account are made out in accordance with the directives of the Banking Regulation Committee (CRBF), applicable to our Company. GE Factofrance SNC accounts are made out pursuant to 2000-03, 2000-06 and 2002-003 measures of the Accountancy Regulation Committee. These measures apply to the 2003 accounts for the first time.

The enforcement of these measures did not have any impact on the result or on the net equity upon its opening.

Furthermore, the 2002-10 measure of the Accountancy Regulation Committee relating to the depreciation and the assets fall in value, modified in its article 15 by the announcement Nr. 2003-F of the emergency committee of the Accountancy National Council necessarily applies to the accounts relating to the financial years open from January 1, 2005.

The company did not choose an anticipated implementation of the components posting method foreseen by this regulation and as it does need to provide for expenses representative of programs lasting over several years, for heavy maintenance or important reviews, the transitional measures of this regulation are without any effect on the financial statements.

The results of our Company activity, the accounts of which are presented to you were as follows:

Total consolidated balance sheet of 2,593,054 K€ for the 2003 financial year to be compared to 2,827,535 K€ for the 2002 financial year. The amount of the "factoring" clients receivables (reserves for doubtful receivables deducted), recorded in the balance sheet, increases from 2,233,533 K€ up to 2,431,718 K€.

Our Company volume, which corresponds to the factored volume, decreased from 11,071,719 K€ in 2002 down to 11,031,711 K€ in 2003.

The amount of the commissions income which combines factoring commissions plus the gross interest income decreases down to 129,133 K€ as of December 31, 2003 compared to 150,815 K€ in 2002.

General operating expenses (except for depreciation) decrease compared to 2002 from 91,581 K€ down to 81,049 K€ in 2003.

The bad debt cost also strongly decreases as this caption records a loss of 2,688 K€ against a loss of 7,820 K€ in the accounts ending December 31, 2002. This variance can namely be explained by the absence of occurrence of a significant bad debt during this financial year compared to the bad debt recorded in 2002. In the course of this financial year, like in the previous one, we did not provide for the Fund for General Banking Risks. The provisions for doubtful clients reserves are decreasing, from 2,445 K€ in 2002 down to 1,003 K€ in 2003 like the provisions for doubtful customers.

Net income after tax goes down to 38,107 K€ as of December 31, 2003, to be compared to 40,772 K€ in 2002.

**Cofacrédit** records a volume stagnation in 2003 compared to 2002 from 1,349,843 K€ to 1,351,194 K€ in 2003 whereas the net result amounts to 4,012 K€, 22% compared to the previous financial year result (3,357 K€).

**Factobail**, with a volume of 1,951,125 € against 2,216,423 € records a 12% fall due to the transfer of an important contract to GE Factofrance.

The net result of the financial year (1,851 K€) decreases by 11.5% compared to the 2002 result (2,092 K€) namely because of the GVF volume result over this financial year.

**Factocic** continues its volume growth (close to 8%) at a less sustained pace than in 2002 (17%). The volume of factored receivables goes up from 5.2 billion € to 5.7 billion € corresponding to a 2.1% growth compared to the previous financial year (12,851 K€).

We remind you that the company acquired a 12% interest in the capital of the Company Trust & Pay, first operator in France proposing a global solution of intercompany financial flows dematerialization: dematerialized invoice, electronic payment and on-line receivables financing. This partnership confirms Trust & Pay's vocation to become a global platform of financial and banking services, open to significant actors and to acquire a European size.

We hope that these suggestions and vote for the corresponding resolutions.

The Chief Executive Officer



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# Resolutions adopted by the Ordinary General Meeting of partners of May 05, 2003

## 2003 FINANCIAL YEAR

### FIRST RESOLUTION

After it has heard the reading of the management report of the Chief Executive Officer regarding the 2003 accounts and operations these accounts reflect as well as the report of the Statutory Auditors for the 2003 financial year, the partners community approve these reports and these accounts of the financial year ended December 31, 2002: these reports and accounts record a statutory net income after tax of € 38,106,705.47.

As a consequence, it gives full quitus to the Chief Executive Officer and without any reservations for his mandate achievements concerning the 2002 financial year.

This resolution is unanimously approved.

### SECOND RESOLUTION

The partners decide to allocate and breakdown the 2003 net income, in compliance with

statutory and legal regulations:

- 2003 net income: 38,106,705.47 €
- 2002 retained earnings: 0 €
- Available for allocation: 38,106,705.47 €

From the above, it is suggested:

- to provide for the optional reserve: 30,000,000.00 €.

The balance of the net income after tax, after allocation and distribution, i.e. € 8,106,705.47 will be retained earnings. It is suggested not to pay any dividends for the 2003 financial year.

After these allocations and subject to the authentication from the members of the General Meeting, your Company's equity is as follows:

- Share capital: 300,000,000.00 €
- Optional reserve: 30,000,000.00 €
- Retained earning: 8,106,705.47 €
- Special reserve on Long Term capital gain: 24,848,656.37 €.

This resolution is unanimously approved.

### THIRD RESOLUTION

After they have heard the reading of the Statutory Auditors special report mentioning the absence of agreements of the same nature as those aimed at in article 225.38 by means of cross-reference of the article 511-39 of the financial and monetary code, the partners purely and simply take good note of it.

This resolution is unanimously approved.

### FOURTH RESOLUTION

The partners renew the mandate of the board members, as follows:

- Mike Gaudino as CEO CF
- Paul De Domenico as CEO CF
- Bjorn Bergabo as CFO Europe
- Kevin Dunn as Legal Counsel CF Europe
- Xavier Durand as permanent representative of General Electric Capital S.A.S

· Paolo de Ruggiero, permanent representative of Alcor S.A.S.

The Chief Executive Officer reminds that the members of the board are appointed for a duration of one year that will come to an end at the conclusion of the ordinary general meeting that will be induced to approve the accounts of the financial year ending December 31, 2004.

This resolution is unanimously approved.

#### **FIFTH RESOLUTION**

The Chief Executive Officer presents to the partners, pursuant to the clauses of the regulation Nr. 2001-01 of the CRBF (Finance and Banking Regulation Committee), the internal audit activity report for the past financial year as well as its action plan for 2004. He stresses that this plan has been established for the first time at the end of 2002 within the scope of the application of the R Session process.

Furthermore it has been validated by the audit committee of GEC S.A.S on April 22, 2004.

This resolution is unanimously approved.

#### **SIXTH RESOLUTION**

The mandate of one of the incumbent Statutory Auditors, the office of Salustro Reydel, represented by Mrs. Isabelle Goalec, and the mandate of her substitute, the A&L accounting expertise company, comes to its end, and it is decided to appoint for a six-month period as replacement:

Mr. Fleury, 12, rue Bouchut, 75015 Paris, as new incumbent Statutory Auditor:

And

Mr. Nicolas Fagot, 59, rue de la Boétie, 75008 Paris, as a new deputy Statutory Auditor,

This resolution is unanimously approved.

#### **SEVENTH RESOLUTION**

The Chief Executive Officer reminds the members of the Board of the nomination rules of the "financial services large companies" electors at the Paris Trade and Industry Chamber (CCIP) in view of article L 713.2 of the trade code. After discussion, the members unanimously decide to nominate Michel AUSSAVY as elector for the next CCIP elections.

This resolution is unanimously approved.

#### **EIGHTH RESOLUTION**

The partners give full power to the bearer of the original, an extract or a copy of the present proceedings in order to comply with any publishing, deposit or other formalities required by law.

This resolution is unanimously approved.



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# Consolidated balance ending December 31, 2003

GE Factofrance SNC

Financial statements

Financial year ending December 31, 2003



PUBLISHABLE BALANCE SHEETS ENDING DECEMBER 31, 2003 & 2002

ASSETS (K€)	31.12.03	31.12.02
Petty cash, central banks, postal giro	94	14 310
Cash at banks	89 957	515 203
Accounts receivable	44 213	39 448
Factoring	2 431 718	2 233 533
Investments and portfolio activities	3 950	3 219
Investments in affiliates	7 100	7 013
Intangible assets	202	545
Fixed assets	3 687	2 819
Other assets	7 183	7 016
Prepaid charges	4 950	4 429
<b>TOTAL ASSETS</b>	<b>2 593 054</b>	<b>2 827 535</b>

LIABILITIES (K€)	31.12.03	31.12.02
Petty cash, central banks, postal giro	0	4
Amounts owed to credit institutions	179 907	179 811
Clients	1 931 873	2 068 363
Debts evidenced by certificates	56 721	75 780
Other liabilities	27 603	70 366
Accruals and deferred income	11 135	21 109
General reserve	2 487	2 637
Subordinated debts	0	61 418
Reserve for contingency	20 372	20 372
Shareholder's equity excluding reserve for contingency	362 956	327 675
Share capital – subscribed	300 000	101 500
Share premium account	0	163 258
Reserves	24 849	42 444
Retained earnings	0	-20 299
	38 107	40 772
<b>TOTAL LIABILITIES</b>	<b>2 593 054</b>	<b>2 827 535</b>

OFF BALANCE SHEET (K€)	31.12.03	31.12.02
<b>CONTINGENT LIABILITIES</b>		
Funding commitments		
In favour of credit institutions	93 000	93 000
In favour of clients		
Guarantee commitments		
Order in favour of credit institutions	214 180	224 240
In favour of clients		
<b>COMMITMENTS RECEIVED</b>		
Funding commitments		
Confirmed banks stand-by-lines	0	110 735
In favour of clients		
Guarantee commitments		
Guarantees received from credit institutions	87 500	79 500

PUBLISHABLE STATEMENTS OF INCOME ENDING DECEMBER 31, 2003 & 2002 (K€)

	31.12.03	31.12.02
+ Interest income and related income	73 978	101 072
- Interest expense and related expense	31 720	49 692
+ Income from variable income securities	4 697	5 368
+ Factoring income	61 552	64 245
- Commissions expense	1 136	18
+ Other bank operating income	32 347	33 347
- Other bank operating expense	732	2 184
<b>NET BANK OPERATING INCOME</b>	<b>138 986</b>	<b>152 138</b>
- Operating expense	81 049	91 581
- Depreciation charge for intangible and fixed assets	2 085	3 052
<b>GROSS OPERATING RESULT</b>	<b>55 852</b>	<b>57 505</b>
Risk charge	-2 688	-7 820
<b>OPERATING RESULT</b>	<b>53 164</b>	<b>49 685</b>
Gain or loss on fixed assets	0	-1 986
<b>NET RESULT BEFORE TAX</b>	<b>53 164</b>	<b>47 699</b>
Extraordinary result	2 531	5 863
- Income tax charge	17 588	12 790
<b>NET RESULT</b>	<b>38 107</b>	<b>40 772</b>

GE Commercial Finance  
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**Factofrance**

Tour Facto  
18 rue Hoche  
92988 Paris la Défense cedex  
Tél. : 01.46.35.70.00  
Fax : 01.46.35.69.00  
[www.facto.fr](http://www.facto.fr)