

ANNUAL FINANCIAL REPORT

AT 31 DECEMBER 2010



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## NOTICE OF CALL

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Published in "Il Sole-24 Ore" on 22 March 2011 for the Ordinary Shareholders' Meeting to be held on 22 April 2011 at 10.00 a.m., at the Company's head office in Via Emilia 237, Ozzano dell'Emilia (Bologna), to vote on the following:

### AGENDA

1. Directors' report on operations for the 2010 financial year. Report of the Board of Auditors. Financial statements at 31 December 2010. Related and consequent resolutions.
2. Proposed purchase, sale and/or disposal of treasury shares; related and consequent resolutions.

Shareholders are entitled to attend the Shareholders' Meeting and to vote on condition that the Company has received the required communication from an authorised intermediary based on the registrations at the end of the seventh business day of the Stock Exchange prior to the date of the Meeting. Those registered as shareholders after that date will not be entitled to attend the Shareholders' Meeting.

Those entitled to vote may be represented at the Shareholders' Meeting by means of a written proxy, bearing in mind any situations of incompatibility and the limits set by current regulations, using the proxy form attached to the communication issued by the authorised intermediary or the facsimile available on the Company's website: [www.ima.it](http://www.ima.it) (Investor Relations section). Proxies should be sent to the Company to the administrative offices in Via Tosarelli 184, Castenaso (Bologna) by registered mail or by certified e-mail to [ima@legalmail.it](mailto:ima@legalmail.it).

There is no provision for postal or on-line voting.

In accordance with Art. 127-ter of the Consolidated Finance Act (CFA), shareholders can also submit questions about the items on the agenda prior to the Shareholders' Meeting. Questions should be sent to the administrative offices in Via Tosarelli 184, Castenaso (Bologna) by registered letter or by certified e-mail to [ima@legalmail.it](mailto:ima@legalmail.it). Questions will be answered at latest at the Shareholders' Meeting.

In accordance with Art. 126-bis of the CFA, within 10 days of publication of this notice, shareholders who, individually or jointly, represent at least 1/40th of the share capital can ask for additions to be made to the items under discussion, indicating the topics that they would like to add to the agenda. Requests should be sent in writing to the administrative offices in Via Tosarelli 184, Castenaso (Bologna) by registered letter or by certified e-mail to [ima@legalmail.it](mailto:ima@legalmail.it), providing they reach the Company within the 10-day period mentioned above. By the same deadline and using the same methods, the shareholder(s) making the proposal should also present a report on the matters that they want discussed. If additional items are added to the agenda for the Shareholders' Meeting as a result of these requests, the Company shall announce them at least fifteen days prior to the Meeting in the same manner used to publish the notice calling the Meeting. At the same time that this notice of additions to the agenda is published, the report prepared by the shareholder(s) making the proposal shall be made available to the public in the same manner as that used for the AGM documentation, accompanied by any comments that the Board of Directors would like to make. Additions to the agenda are not permitted if they concern matters which the law requires to be resolved upon at the Shareholders' Meeting based on a proposal from the directors or on a project or a report prepared by them.

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The Company's share capital, fully subscribed and paid-in, amounts to 17,732,000 euros, represented by 34,100,000 shares with a par value of 0.52 euros each. Each share gives the right to one vote at the Shareholders' Meeting. At present, the Company does not hold any of its own shares ("treasury shares").

The documentation and information for the Shareholders' Meeting required under current regulations, including the separate and consolidated financial statements at 31 December 2010, related reports and the annual report on corporate governance and the ownership structure, are made available to the public by the legal deadline at the registered office located at Via Emilia 428/442, Ozzano dell'Emilia (Bologna), as well as at the administrative office located at Via Tosarelli 184, Castenaso (Bologna), and at the offices of Borsa Italiana S.p.A. Shareholders are entitled to view these documents and to obtain a copy of them. This documentation will also be available on the website [www.ima.it](http://www.ima.it), in the Investor Relations section.

## REPORT ON OPERATIONS

AT 31 DECEMBER 2010

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH  
SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

## DIRECTORS AND OFFICERS

### BOARD OF DIRECTORS

(In office until the Shareholders' Meeting called to approve the financial statements at 31 December 2011)

#### **DIRECTOR AND HONORARY CHAIRMAN**

Marco Vacchi

#### **CHAIRMAN AND MANAGING DIRECTOR**

Alberto Vacchi

*Delegated powers:* all powers of ordinary and extraordinary administration, excluding the following powers:

- to transfer or receive for whatever purpose or reason, shares or other equity interests in companies, associations or entities, lines of business, businesses or combinations of businesses and real estate;
- to give secured or other guarantees, and give sureties or letters of patronage, except (in relation to the sureties and letters of patronage) for those given on behalf of direct or indirect subsidiaries of the Company;
- the power to grant beneficial rights over the assets of the Company.

#### **DIRECTOR WITH POWERS**

Andrea Malagoli

*Delegated powers:* the powers associated with responsibility for the pharmaceutical business and operations.

#### **DIRECTORS**

Giancarlo Folco, Marco Galliani, Italo Giorgio Minguzzi, Luca Poggi, Enrico Ricotta, Pierantonio Riello, Maria Carla Schiavina, Gianluca Vacchi, Romano Volta.

In addition to those powers that cannot be delegated, the Board of Directors of IMA S.p.A. collectively has exclusive authority to decide on the following matters:

- the strategic, business and financial plans of the Company and the Group, the corporate governance system of IMA S.p.A. and any decisions relating to the Group structure;
- the adequacy of the organizational, administrative and accounting arrangements of the Company and its subsidiaries, with special reference to the internal control system and management of conflicts of interest;
- the general conduct of operations;
- any transaction likely to have a significant impact on the Company's results, assets and liabilities or financial situation and, in any case, any transaction that exceeds a value of 10 million euros, except for the power to renew or extend the credit lines already granted to the Company, which can be delegated;
- any transactions in which even just one director has a personal interest or represents the interests of a third party and any transactions with related parties, including intercompany transactions, except for ordinary transactions carried out under standard terms and conditions;
- the size, composition and operation of the Board of Directors and its committees;
- decisions about future significant transactions by subsidiaries of IMA S.p.A. that will affect IMA S.p.A.

**BOARD OF AUDITORS**

(In office until the Shareholders' Meeting called to approve the financial statements at 31 December 2012)

**STANDING AUDITORS**

Piero Aicardi - President  
Giacomo Giovanardi  
Riccardo Pinza

**ALTERNATE AUDITORS**

Vittorio Coraducci  
Federico Ferracini  
Fabio Porcellini

**INTERNAL CONTROL AND  
REMUNERATION COMMITTEE**

Giancarlo Folco - Independent Director  
Marco Galliani - Independent Director  
Maria Carla Schiavina - Non-executive Director

**MANAGER RESPONSIBLE FOR  
PREPARING THE FINANCIAL  
REPORTS**

Sergio Marzo

**LEAD INDEPENDENT DIRECTOR**

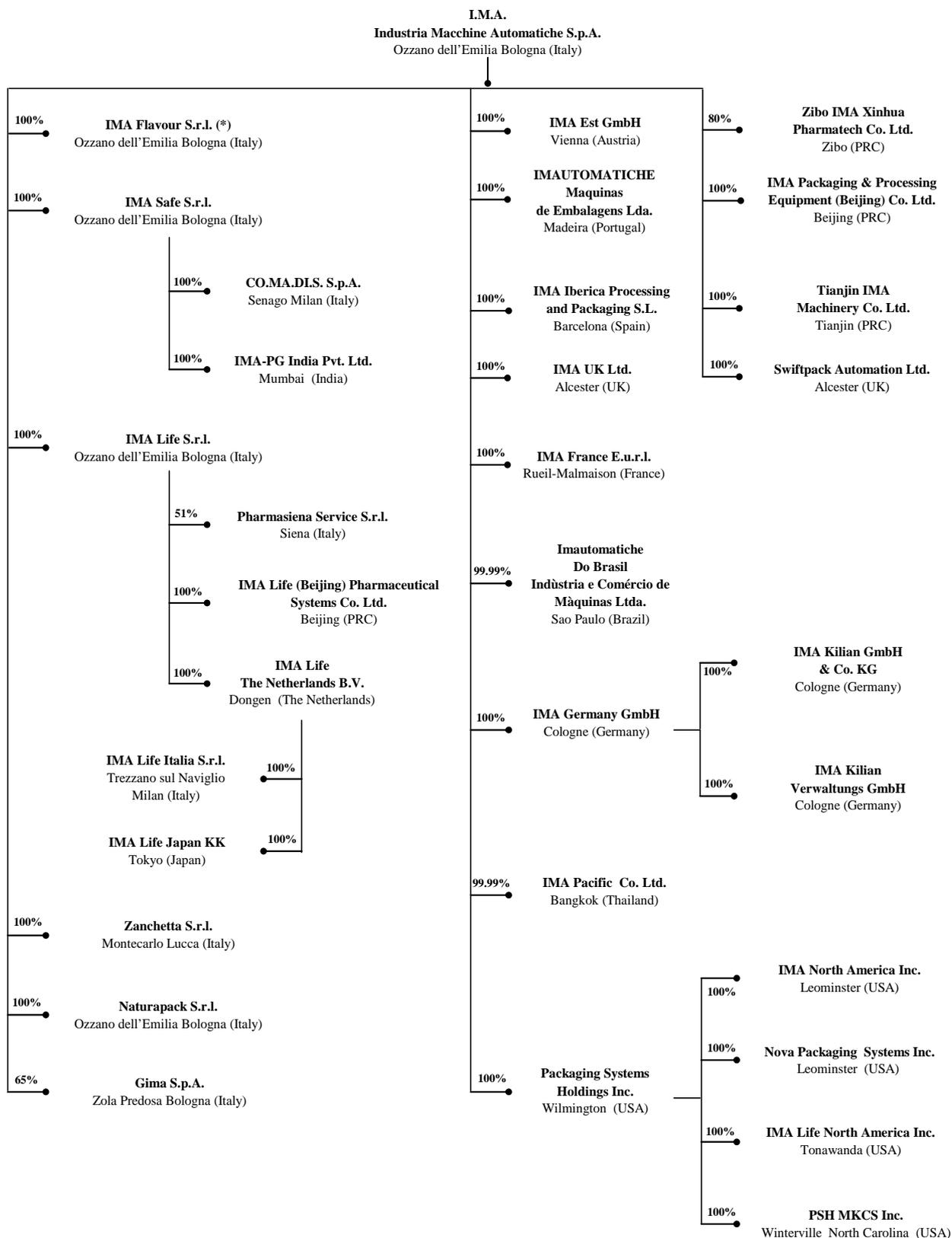
Giancarlo Folco

**INDEPENDENT AUDITORS**

(In office until the Shareholders' Meeting called to approve the financial statements at 31 December 2012)

PricewaterhouseCoopers S.p.A.

GROUP STRUCTURE



(\*) IMA Flavour S.r.l. changed its name to IMA Industries S.r.l. in February 2011.

## GROUP PERFORMANCE

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### THE ECONOMIC SCENARIO

Shareholders,

Three years after the start of the crisis, the world economy is currently experiencing a number of contradictions that can be interpreted either as the start of the definitive exit from the crisis, or as a sign of the difficulties that we still have to face, perhaps heralding the danger of a relapse that should not be underrated.

World trade in 2010 returned to the levels seen prior to the crisis: extremely positive in the emerging economies, very modest in the advanced countries. However, despite these signs of a recovery, the confidence of households in the advanced countries has not improved very much. Employment continues to stagnate, the level of debt remains high and the increase in food and energy prices is becoming a serious concern. Lastly, the public finances of many countries require immediate steps to cut their budget deficits, and these are already affecting household income in 2011.

The banking system is likely to see a further increase in non-performing loans and, at the same time, will be impacted by the public debt situation of certain peripheral EU countries. The coordination of economic policies at an international level is gradually falling.

These contradictions could well lead to an increase in interest rates due to rising inflation. This in turn would cause international trade to contract, with obvious repercussions on all countries' economies.

In this context, during the first half of 2010 the IMA Group saw a good recovery in orders throughout the world. This trend became even more marked in the second half of the year, with further reinforcement in the first few months of 2011. The recovery is particularly strong for the pharmaceutical market and involves all of the countries where we operate, reinforced by the excellent response from customers to some of our new products. The introduction of more restrictive rules for the packaging of pharmaceuticals in certain Far Eastern countries is shifting investment towards high quality machines like ours. Lastly, the squeeze on capital investment over the last three years now mean that certain projects can no longer be delayed.

Unfortunately, total revenues for the year just past were negatively affected by the low level of order book at the end of 2009. Moreover, the high level of competition for certain projects led to pressure on prices that conditioned sales margins. In any case, 2011 has all it takes to expect significant growth in both revenues and margins.

One of the main features of last year was an important process of diversification of our Group's activities. Thanks to the acquisition of GIMA and the signing of an agreement to buy the Sympak-Corazza Group, which was finalised at the start of 2011, we have significantly increased the proportion of sales coming from niche sectors outside pharmaceuticals. This will generate not only the obvious production synergies, but will also allow us to offset any downturn in the pharmaceutical market by working for the food industry, and vice versa.

CONSOLIDATED  
INCOME STATEMENT

The following income statement classified by purpose was prepared applying the following criteria:

- cost of sales: this represents costs incurred directly by the Group to generate revenues. These include, for example, the costs of materials and labour, the cost of technical offices for customizing products and production overheads;
- R&D costs: these include the costs involved in developing new products or maintaining existing products. They also include costs relating to technical personnel, materials used for experiments and the overheads of technical offices;
- selling costs: these include costs connected with commercial operations, such as staff, commissions paid to agents, promotional and advertising costs and associated overheads;
- general and administrative costs: these include all costs associated with general operations such as administrative offices in the broadest sense, the management of sectors or divisions, production planning, and all amortization and depreciation not connected directly with the business areas already mentioned above;
- gross operating profit: this corresponds to the sum of operating profit, amortization and depreciation for the year and writedowns of non-current assets.

The following main items in the reclassified income statement are equivalent to those reported in the consolidated income statement contained in the section entitled "Consolidated financial statements": revenues, operating profit, financial income and expense, profit before tax, income taxes and net profit for the year.

The Group closed 2010 with net profit of 17.00 million euros, compared with 36.86 million euros in 2009.

The following table sets out the most significant figures from the Group's 2010 reclassified income statement, with comparative figures for 2009:

in millions of euros	2010		2009		Change %
	Amount	%	Amount	%	
<b>Revenues</b>	<b>503.27</b>		<b>505.77</b>		<b>(0.5)</b>
Cost of sales	(301.03)	59.8	(288.30)	57.0	
<b>Gross industrial income</b>	<b>202.24</b>	<b>40.2</b>	<b>217.47</b>	<b>43.0</b>	<b>(7.0)</b>
R&D costs	(26.42)		(25.95)		
Sales costs	(62.52)		(59.63)		
General and administrative costs	(64.62)		(60.31)		
<b>Operating profit before writedowns/impairment/ non-recurring items (EBITA)</b>	<b>48.68</b>	<b>9.7</b>	<b>71.58</b>	<b>14.2</b>	<b>(32.0)</b>
Writedowns/Impairment adjustments	(2.79)		(0.97)		
Non-recurring items	(2.69)		0.53		
<b>Operating profit (EBIT)</b>	<b>43.20</b>	<b>8.6</b>	<b>71.14</b>	<b>14.1</b>	<b>(39.3)</b>
Net financial income (expense)	(7.13)		(10.09)		
Profit (loss) from investments accounted for using the equity method	0.23		0.01		
<b>Profit before tax</b>	<b>36.30</b>	<b>7.2</b>	<b>61.06</b>	<b>12.1</b>	<b>(40.6)</b>
Income taxes	(18.86)		(23.55)		
<b>Net profit for the year</b>	<b>17.44</b>	<b>3.5</b>	<b>37.51</b>	<b>7.4</b>	<b>(53.5)</b>
Profit (loss) pertaining to minority interests	(0.44)		(0.65)		
<b>Group profit</b>	<b>17.00</b>	<b>3.4</b>	<b>36.86</b>	<b>7.3</b>	<b>(53.9)</b>
<b>Gross operating profit (EBITDA)</b>	<b>59.62</b>	<b>11.8</b>	<b>85.98</b>	<b>17.0</b>	<b>(30.7)</b>
<b>Order book</b>	<b>280.65</b>		<b>210.30</b>		<b>33.5</b>

## REVENUES BY SECTOR

in millions of euros	2010		2009		Change %
	Amount	%	Amount	%	
Tea, coffee and herbal tea packaging	87.61	17.4	93.79	18.5	(6.6)
Pharmaceutical packaging	283.45	56.3	292.08	57.7	(3.0)
Pharmaceutical processing	113.01	22.5	119.07	23.5	(5.1)
Other	19.20	3.8	0.83	0.2	2,213.3
<b>Total</b>	<b>503.27</b>	<b>100.0</b>	<b>505.77</b>	<b>100.0</b>	<b>(0.5)</b>

Consolidated revenues in 2010 amounted to 503.27 million euros, a decrease of 0.5% with respect to the prior year.

The performance of revenues by segment is discussed in detail in the section entitled "Analysis of segment performance". However, in this regard:

- the tea, herbal tea and coffee packaging sector has seen a slight reduction in revenues (-6.6%), turning in another good result after an excellent 2009, while retaining a strong positioning on its reference markets;
- the pharmaceutical packaging sector is showing a decrease of 3.0% (283.45 million euros versus 292.08 million euros in 2009) as a result of the lower order book for the pharmaceutical market at the start of the year;
- the pharmaceutical process sector is showing a fall in revenues of 6.0 million euros with respect to 2009 (-5.1%), also because of the lower order book at the start of the year;
- "Other" includes the revenues of GIMA S.p.A., which contributed 16.6 million euros to the consolidation (only for the second half of the year, following its acquisition).

The following table shows the size of the order book at the end of the year:

in millions of euros	2010		2009		Change %
	Amount	%	Amount	%	
Tea, coffee and herbal tea packaging	43.34	15.4	58.93	28.0	(26.5)
Pharmaceutical packaging	172.04	61.3	115.71	55.0	48.7
Pharmaceutical processing	36.79	13.1	35.66	17.0	3.2
Other	28.48	10.2	-	-	n.s.
<b>Total</b>	<b>280.65</b>	<b>100.0</b>	<b>210.30</b>	<b>100.0</b>	<b>33.5</b>

## REVENUES BY GEOGRAPHICAL AREA

in millions of euros	2010		2009		Change %
	Amount	%	Amount	%	
European Union (excluding Italy)	180.09	35.8	193.79	38.3	(7.1)
Other European countries	37.01	7.3	36.28	7.2	2.0
North America	72.77	14.5	76.40	15.1	(4.8)
Asia & Middle East	131.00	26.0	118.24	23.4	10.8
Other countries	40.34	8.0	44.12	8.7	(8.6)
<b>Total foreign markets</b>	<b>461.21</b>	<b>91.6</b>	<b>468.83</b>	<b>92.7</b>	<b>(1.6)</b>
Italy	42.06	8.4	36.94	7.3	13.9
<b>Total</b>	<b>503.27</b>	<b>100.0</b>	<b>505.77</b>	<b>100.0</b>	<b>(0.5)</b>

Some 91.6% of revenues were generated outside of Italy, further modifying the mix towards foreign sales. About 70% of revenues were generated by plant and machines, while 30% came from after-sales activities (support, spares, format parts etc.).

In particular:

- revenues from sales in EU countries, excluding Italy, fell by 13.70 million euros, despite good performances by countries such as France, Belgium and Hungary;
- sales in other European countries are in line with the previous year;
- North America is showing a slight decline in revenues (-4.8%) with respect to the previous period. The trend in sales is still feeling the effects of the slowdown in that country, even if IMA's positioning continues to be strong, given that there is no real local competition;
- Asia and the Middle East showed strong growth of 12.76 million euros and now represents 25% of aggregate Group sales, confirming the trend in recent years. The progress being made in local economies is generating an improvement in production standards closer to those of the West and as a consequence a demand for machinery more in line with what we can offer. We are able to respond to such requests very rapidly, strengthening our production capacity, especially in China and India;
- sales in other countries reflect a variety of trends with slight growth in Central and South America;
- the increase in Italy is due to a larger number of projects compared with the previous year. This variability year on year is normal as it depends on the investment plans of pharmaceutical companies, which are not stable, especially in a small market like Italy.

## GROSS INDUSTRIAL INCOME

Gross industrial income was 40.2% of revenues, compared with 43.0% in 2009.

This decrease is due to a different mix between the tea and pharmaceutical segments and the fact that the latter has lower profit margins.

In fact, the tea segment has seen its share of revenues fall from 18.5% to 17.4%, so contributing less to overall industrial gross income.

The contribution made by GIMA S.p.A. following its acquisition was 3.7 million euros.

## R&D COSTS

Research and development costs rose slightly to 26.42 million euros with a slight increase on 2009 (25.95 million euros), absorbing 5.2% of revenues.

This item primarily includes the research costs incurred on the technological upgrading and normal revamping of standard products. The balance does not include the cost of development work ordered by specific clients, or the cost of customizing standard products. This expenditure is included in the cost of sales so it is invoiced to the clients concerned. The scale of this commitment is a concrete confirmation of the Group's strong orientation to be seen as a solution provider rather than a vendor of products. This approach has always been a hallmark characteristic and, over the years, has resulted in a strong market leadership position.

Development continued during 2010 on several entirely new product families, thus expanding the Group's product range.

These refer in particular to a new capsule filling machine, the new series of linear filling machines in a sterile environment, a new isolation technology machine and a machine for packaging tea in a differently shaped tea-bag. The costs incurred on such projects during the course of the year have been capitalised as they comply with the requirements for intangible

assets. They amount to around 4.1 million euros (3.09 million euros in 2009). Amortization begins from the moment the products become available for sale.

#### SALES COSTS

Sales costs inclusive of commissions paid to agents and intermediaries, amounted to 62.52 million euros, up by 2.89 million euros with respect to 2009. They increased slightly as a percentage of sales at 12.4% compared with 11.8% in 2009, also as a result of the increase in commissions paid to commercial intermediaries of 1.0 million euros (from 10.5 million euros to 11.5 million euros) and the change in scope of consolidation of 1.2 million euros.

#### GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs increased by 4.31 million euros, from 60.31 million euros in 2009 to 64.62 million euros in 2010, with GIMA S.p.A. and Naturapack S.r.l. contributing 1.0 million euros. The increase is linked to the rise in unit labour costs and higher general costs.

#### OPERATING PROFIT

Consolidated EBITDA comes to 48.68 million euros, which is 9.7% of sales, less than the previous year when it came to 14.2% of sales, because of the developments discussed earlier.

Operating profit reflects the impact of the impairment adjustment to goodwill relating to Zanchetta S.r.l. of 2.50 million euros, as well as 2.69 million euros of non-recurring charges, which include reorganization charges for Kilian GmbH & Co. KG of 1.8 million euros and IMA North America Inc. of 1.1 million euros. In 2009, operating profit benefited from non-recurring income of 3.80 million euros from the sale of buildings and 0.52 million euros from tax credits on R&D costs, less 3.79 million euros of extraordinary provisions for the costs involved in reorganizing certain Group companies.

#### NET FINANCIAL INCOME (EXPENSE)

Net financial expense, detailed in the notes, amounted to 7.13 million euros compared with 10.09 million euros in 2009, which included the writedown of the investment in Pierrel S.p.A. for 4.61 million euros.

#### NET PROFIT

The Group's net profit was 17.00 million euros, compared with 36.86 million euros in the prior year, after an income tax charge of 18.86 million euros.

This decrease is the consequence of a lower pre-tax profit, following the events mentioned above, and a higher tax charge in 2010 compared with 2009 because of a higher proportion of non-deductible charges.

## PROFITABILITY RATIOS

The principal profitability parameters relating to 2010 and 2009 are presented below:

Ratio	Breakdown	2010	2009
Return on sales (R.O.S.)	Operating profit	8.6%	14.1%
	Net revenues		
Return on investment (R.O.I.)	Operating profit	18.8%	29.2%
	Net capital employed		
Return on equity (R.O.E.)	Net income	15.0%	29.1%
	Equity		

The change in the profitability ratios between 2009 and 2010 is a result of the changes in operating profit and net profit mentioned above.

CONSOLIDATED BALANCE SHEET  
AND FINANCIAL POSITION

The following main items in the statement of financial position are equivalent to the corresponding items reported in the consolidated statement of financial position included in the consolidated financial statements: inventories, property, plant and equipment and intangible assets, Group equity and minority interests.

The item "Other, net" mainly includes amounts due to employees, income tax liabilities and provisions for risks and charges.

The following table summarizes the Group's balance sheet and financial position at 31 December 2010:

in millions of euros	31.12.2010		31.12.2009		Change %
	Amount	%	Amount	%	
Trade receivables	115.57	50.4	100.94	41.4	14.5
Inventories	157.79	68.8	140.02	57.5	17.7
Trade payables	(158.69)	(69.2)	(92.58)	(38.0)	27.1
Other, net	(40.60)	(17.7)	(49.45)	(20.3)	(17.9)
<b>Working capital</b>	<b>74.07</b>	<b>32.3</b>	<b>98.93</b>	<b>40.6</b>	<b>(25.1)</b>
Property, plant and equipment	26.71	11.7	28.04	11.5	(4.7)
Intangible assets	122.78	53.5	115.37	47.4	6.4
Investments	17.42	7.6	18.00	7.4	(3.2)
<b>Non-current assets</b>	<b>166.91</b>	<b>72.8</b>	<b>161.41</b>	<b>66.3</b>	<b>3.4</b>
Provision for severance indemnities and other provisions	(11.59)	(5.1)	(16.71)	(6.9)	(30.6)
<b>Net capital employed</b>	<b>229.39</b>	<b>100.0</b>	<b>243.63</b>	<b>100.0</b>	<b>(5.8)</b>
<b>FINANCED BY:</b>					
<b>Net debt</b>	<b>113.51</b>	<b>49.5</b>	<b>113.43</b>	<b>46.6</b>	<b>0.1</b>
Minority interests	2.56	1.1	3.39	1.4	(24.5)
<b>Group equity</b>	<b>113.32</b>	<b>49.4</b>	<b>126.81</b>	<b>52.1</b>	<b>(10.6)</b>
<b>Total sources of financing</b>	<b>229.39</b>	<b>100.0</b>	<b>243.63</b>	<b>100.0</b>	<b>(5.8)</b>

## WORKING CAPITAL

Working capital at 31 December 2010 amounted to 74.07 million euros. It has fallen by 24.86 million euros compared with the same date in 2009.

The change is due to an increase in advances from customers because of the higher level of the order book at the end of the year. Trade receivables and inventories have gone up because of a different timing of sales and the high order book; on the other hand, trade payables have risen considerably, especially advances from customers. The increase in trade payables is due to higher purchases from suppliers because of the rise in the order book.

Management remains strongly committed to maintaining structural control over working capital.

Developments in the main items are discussed below:

- trade receivables are up by 14.63 million euros, going from 100.94 million euros at 31 December 2009 to 115.57 million euros at the end of 2010, essentially because of the even greater seasonal impact on sales compared with the previous year;
- inventories rose by 17.77 million euros to 157.79 million euros (140.02 million euros in 2009) as a result of the higher level reached by the order book at the end of 2010. The Group is continuing its efforts to improve inventory levels through innovation in production scheduling processes and by improving management of the supply chain to reduce lead times;
- trade payables, which include advances from customers, increased by 66.11 million euros, of which 27.38 million euros related to advances from customers, as stated previously;
- the "Other, net" item decreased to 40.60 million euros (49.45 million euros in 2009).

## NON-CURRENT ASSETS

Overall, non-current assets increased by 5.50 million euros compared with 31 December 2009 thanks to the acquisition of GIMA S.p.A. and Naturapack S.r.l. which led to the recognition of 7.63 million euros of goodwill and the sale of the industrial building located in Calenzano (Florence) for 7.78 million euros.

In the note below are listed the changes related to property, plant and equipment and intangible fixed assets:

in millions of euros	Non-current assets		
	Property, plant and equipment	Intangibles	Total
Increases in the year	8.63	6.42	15.05
Net book value of disposals	(8.36)	(0.02)	(8.38)
Acquisition of GIMA S.p.A. and Naturapack S.r.l.	–	7.63	7.63
Change in scope of consolidation	2.94	4.03	6.97
Amortization and depreciation charges for the year	(4.94)	(8.69)	(13.63)
Writedowns/Impairment adjustments	(0.29)	(2.50)	(2.79)
Exchange rate difference	0.69	0.54	1.23
<b>Total</b>	<b>(1.33)</b>	<b>7.41</b>	<b>6.08</b>

## NET CAPITAL EMPLOYED

Compared with 31 December 2009, capital employed net of operating liabilities decreased by 14.24 million euros to 229.39 million euros.

## NET DEBT

Net debt at 31 December 2010 amounted to 113.51 million euros and breaks down as follows:

	31.12.2010	31.12.2009
A. Cash and cash equivalents	(102.22)	(100.19)
B. Other cash equivalents	(0.88)	-
C. Investments in securities	(1.26)	(0.88)
<b>D. Liquidity (A)+(B)+(C)</b>	<b>(104.36)</b>	<b>(101.07)</b>
<b>E. Current financial receivables</b>	<b>-</b>	<b>-</b>
F. Current payables to banks	112.35	88.73
G. Current portion of non-current bank payables	44.74	34.46
H. Other current financial payables	2.65	1.38
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>159.74</b>	<b>124.57</b>
<b>J. Net current financial debt (D)+(E)+(I)</b>	<b>55.38</b>	<b>23.50</b>
K. Non-current portion of non-current bank payables	60.15	89.66
L. Non-current financial assets	(2.18)	(1.03)
M. Other non-current financial payables	0.16	1.30
<b>N. Non-current financial debt (K)+(L)+(M)</b>	<b>58.13</b>	<b>89.93</b>
<b>O. Net financial debt (J)+(N)</b>	<b>113.51</b>	<b>113.43</b>

The items included in net debt are analyzed in notes 5, 12 and 16 to the consolidated financial statements.

The analysis of net debt takes account of the provisions of Consob Communication DEM/6064293 dated 28 July 2006 and CESR Recommendation 05-054/B dated 10 February 2005.

Non-current financial assets are represented by financial receivables. The figure differs from that reported in the statement of financial position in that it does not include equity investments in other companies.

Compared with 31 December 2009, debt has not changed, despite investments and acquisitions, also of minority interests, for a total of 15 million euros, net of the proceeds on disposal of the Calenzano building.

## GROUP EQUITY

Equity at 31 December 2010 amounted to 113.32 million euros, down 13.49 million euros due to the net effect of the following movements:

Dividends paid during the year	(30.69)
Purchase and sale to/from third parties of shares of subsidiaries	(7.22)
Purchase and sale of treasury shares	3.54
Measurement of financial instruments recognised in equity	(0.13)
Exchange rate differences on the translation of foreign currency financial statements	4.01
Net profit	17.00
<b>Total</b>	<b>(13.49)</b>

**RECONCILIATION OF  
SHAREHOLDERS' EQUITY AND  
PROFIT FOR THE YEAR OF THE  
PARENT COMPANY WITH THE  
CORRESPONDING CONSOLIDATED  
FIGURES**

The following table reconciles the equity and net profit for the year reported in the Parent Company's financial statements with the corresponding consolidated figures pertaining to the Group at 31 December 2010 (millions of euros):

	Shareholders' equity	Group profit
<b>Results from the financial statements of I.M.A. Industria Macchine Automatiche S.p.A</b>	<b>81.62</b>	<b>30.77</b>
<i>Consolidation adjustments</i>		
a) Elimination of book value of consolidated investments and measurement of investments using the equity method	38.69	23.14
b) Elimination of dividends distributed by Group companies	–	(39.21)
c) Elimination of intercompany items:		
· Intangible assets	–	–
· Inventories	(3.74)	1.11
· Margins and fees for contract work	–	(0.13)
d) Writedowns/Impairment	(3.96)	2.26
e) Tax effect of consolidation adjustments and other tax effects	0.71	(0.94)
Net effect of consolidation adjustments	31.70	(13.77)
<b>Amounts pertaining to the Group</b>	<b>113.32</b>	<b>17.00</b>

**ANALYSIS OF  
PERFORMANCE BY SECTOR**

The following table analyzes consolidated performance by business segment in 2010:

in millions of euros	Tea	Packaging	Processing	Other	Not allocated	Total
Revenues	87.61	283.45	113.01	19.20	–	503.27
Operating profit before writedowns impairment/non-recurring items (EBITA)	26.70	20.09	1.68	0.21	–	48.68
Operating profit (EBIT)	26.53	19.50	(3.10)	0.27	–	43.20
Net capital employed (*)	20.17	110.24	80.32	16.70	1.96	229.39
R&D costs	5.35	13.80	6.33	0.94	–	26.42
Average personnel (**)	205	1,814	651	62	397	3,129
Order book	43.34	172.04	36.79	28.48	–	280.65

(\*) *Unallocated assets and liabilities principally comprise current and deferred income taxes that cannot be allocated accurately by division.*

(\*\*) *The personnel allocated to the various segments comprise those directly employed those segments, while the figure reported in the "Unallocated" column reflects those employed by the sales departments of branches and by the Group's administrative and central offices.*

Net capital employed includes 83.91 million euros in goodwill, of which 48.09 million euros attributable to the packaging sector, 28.20 million euros to the process sector, 6.00 million euros to the the tea sector and 1.62 million euros to other segments.

## TEA, COFFEE AND HERBAL TEA PACKAGING

in millions of euros	2010	2009	Change %
Revenues	87.61	93.79	(6.6)
Operating profit before writedowns/impairment/ non-recurring items (EBITA)	26.70	31.94	(16.4)
Operating profit (EBIT)	26.53	32.83	(19.2)
Net capital employed (*)	20.17	24.90	(19.0)
R&D costs	5.35	4.49	19.2
Average personnel	205	200	
Order book	43.34	58.93	(26.5)

(\*) Net capital employed includes 6.00 million euros of goodwill (zero at 31 December 2009).

The tea, coffee and herbal tea packaging segment essentially comprises the activities carried out by IMA Flavour S.r.l.

Product sales and the related after-sales support in North America, Central and Eastern Europe and the UK are handled by the Group's branches operating in these countries, while all other locations are covered by the Company, either directly or through agents.

Demand for tea packaging machinery remained strong in 2010, with good performance in the EU, Asia and China due to initiatives undertaken by large multinational groups, and to sales to companies with strong local connections, especially in Europe and Asia.

Revenues in the tea sector were down by 6.6% on the previous year's record level, nevertheless confirming the Group's strong leadership in this market. The operating profit came to 26.53 million euros (30.3% of sales) versus 32.83 million euros in 2009 (35.0% of sales), partly because of the different impact of non-recurring items (charges of 0.16 million euros versus income of 0.89 million euros in 2009). The order book fell by 26.5% (to 43.34 million euros compared with 58.93 million euros in 2009) due changes in the timing of orders while still providing good visibility for the coming year.

Net capital employed was 20.17 million euros, a decline compared with 2009 due to the lower level of trade payables and customer prepayments and due to the changed timing of orders in the last quarter compared with the same period in 2009.

## PHARMACEUTICAL PACKAGING

in millions of euros	2010	2009	Change %
Revenues	283.45	292.08	(3.0)
Operating profit before writedowns/impairment/ non-recurring items (EBITA)	20.09	32.14	(37.5)
Operating profit (EBIT)	19.50	32.04	(39.1)
Net capital employed (*)	110.24	132.56	(16.8)
R&D costs	13.80	15.42	(10.5)
Average personnel	1,814	1,873	
Order book	172.04	115.71	48.7

(\*) Net capital employed includes goodwill of 48.09 million euros (47.60 million euros at 31 December 2009).

As a segment, packaging machines for the pharmaceuticals industry include the activities carried out directly by IMA S.p.A. through its IMA Safe Line Division, by IMA Safe S.r.l. (blister products and cartoning), by IMA Life S.r.l., at factories at Ozzano (Province of Bologna), Bentivoglio (Province of Bologna) and Calenzano (Province of Florence) and by Pharmasiena Service S.r.l. in Siena.

It also includes the activities of CO.MA.DI.S. S.p.A., based in Senago (MI), IMA-PG India Pvt Ltd., based in Mumbai and Indore (India), Swiftpack Automation Ltd., based in Alcester (UK) and Packaging Systems Holdings Inc., which owns 100% of Nova Packaging Systems Inc., based in Leominster (Massachusetts, USA). The Edwards Group, world leader in the freeze-drying equipment sector with three factories in the Netherlands, the USA and China was acquired in 2008.

IMA's network of branches covering 16 countries sells this segment's products and provides the related after-sales service. The rest of the world is covered by an established network of agents, which works for the process machines sector as well. The pharmaceuticals industry represents the principal market, although there is growing demand from the cosmetics industry as well. The Group's product range in the packaging sector is extremely wide, placing it in a leadership position worldwide. The range covers a family of machines for the production of blisters, with speeds ranging from 60 blisters/minute up to 1,200 blisters/minute; capsule and tablet packaging lines; a wide range of filling equipment for liquids/powders/creams for both sterile and normal environments; freeze-dryers; tube-filling machines, cartoners, end of line products (wrapping machines, shrinkwrappers, case-packing and palletising systems, etc.) and labelling machines.

The 3.0% decline in sales of the packaging sector (-8.63 million euros) is due to the lower level of the order book at the start of the year. The sector saw a reduction compared with the previous year, posting an operating profit (EBIT) of 19.50 million euros (versus 32.04 million euros in 2009) due to lower volumes and less profitable contracts because of a less favourable mix and the sale of certain new products that are not yet earning their expected margins.

Net capital employed amounted to 110.24 million euros (132.56 million euros at the end of 2009). The difference is due to the reduction in net working capital as a result of the developments explained previously.

The order book, which is growing rapidly, is the result of constant and substantial new order acquisitions during the year, a reflection of the success of this segment's product range.

## PHARMACEUTICALS PROCESSING

in millions of euros	2010	2009	Change %
Revenues	113.01	119.07	(5.1)
Operating profit before writedowns/impairment/ non-recurring items (EBITA)	1.68	7.71	(78.2)
Operating profit (EBIT)	(3.10)	6.48	(147.8)
Net capital employed (*)	80.32	77.33	3.9
R&D costs	6.33	6.04	4.8
Average personnel	651	640	
Order book	36.79	35.66	3.2

(\*) Net capital employed includes goodwill of 28.20 million euros (30.70 million euros at 31 December 2009).

The pharmaceutical processing sector includes the activities performed directly by IMA S.p.A. through its IMA Active Division at Ozzano, as well as the activities of IMA Kilian & Co. KG, located in Cologne (Germany), Zibo IMA Xinhua Pharmatech Co. Ltd. (China) and Zanchetta S.r.l., based in the province of Lucca.

IMA's network of branches in the countries covered sells these products and provides the related after-sales service. The rest of the world is covered by an established network of agents. The Group's main product lines in this sector include machines for producing capsules and tablets, machines for weighing capsules and tablets, coating systems, systems for fluid-bed powder granulation and for the mixing, handling, processing and storage of pharmaceutical powders. The breadth and depth of the Group's range in this sector make it the only real provider of complete solutions, from the treatment of powders to the production of medicines in capsule and tablet form, with the related process control systems.

The revenues of the pharmaceutical processing segment fell by 6.06 million euros with respect to 2009 to 113.01 million euros, while the operating result showed a loss (-3.10 million euros). The main reason for this decline in operating performance is lower sales volumes, certain contracts with margins below the sector average, which penalised the 2010 result, and non-recurring charges of 4.78 million euros, including the writedown of Zanchetta S.r.l.'s goodwill for 2.5 million euros and the costs of restructuring the German subsidiary Kilian GmbH & Co. KG of 1.8 million euros.

Corrective measures will continue in 2011 to raise the profitability of the processing segment to the same level as the other pharmaceutical divisions. The order book at year-end amounted to 36.79 million euros, which is slightly higher than at 31 December 2009 (35.66 million euros).

## OTHER

Other segments include the result of GIMA S.p.A., acquired in July, which for the second half of the year only contributed revenues of 16.6 million euros and an operating profit of 0.8 million euros. GIMA S.p.A.'s net capital employed comes to 3.46 million euros.

The order book, of 28.5 million euros, guarantees excellent visibility for the results expected in 2011.

## INVESTMENT

Group capital expenditure on property, plant and equipment in 2010 amounted to 8.63 million euros (4.86 million euros in 2009) and mainly related to the extension and upgrading of buildings and plant, together with the purchase of machinery, equipment and electronic machinery. The increase compared with the previous year is mainly attributable to expenditure on buildings and leasehold improvements and plant and machinery.

Capital expenditure on intangible assets amounted to 6.42 million euros (6.99 million euros in 2009) and related mainly to the capitalisation of development costs incurred on totally new products for market segments not previously occupied.

We would also point out that goodwill of 7.63 million euros was recognised during the second half of 2010 on the acquisition of GIMA S.p.A. and Naturapack S.r.l.

Depreciation and amortization for the period was 13.63 million euros, compared with 13.87 million euros the previous year.

## HUMAN RESOURCE , TRAINING AND INDUSTRIAL RELATIONS

For our customers, the IMA Group is not merely a supplier of products, albeit incorporating highly sophisticated technology, but rather a solver of complex problems through specially designed solutions that are custom-tailored to meet their individual requirements. This means that all our business processes, from preparing bids, to sales, from production/design to after-sales support, including contractual and administrative matters, have to be conducted with an extremely low level of repetitiveness. Accordingly, the proper functioning of these processes depends on the initiative and pro-active approach of the individuals who work within them, and on their ability to work together with everyone else in the organization, in teamwork at its best. As such, although it is true for every firm that the quality of its human resources represents a critical factor in success, this is even more true for the IMA Group where our people represent our principal asset, incorporating all our knowledge and skill. This expertise cannot easily be documented and codified, precisely because it is non-repetitive. In line with this vision, the Group dedicates considerable attention to the proper management of employees, investing heavily and continually in their professional development, adopting an organizational model with a high degree of participation and applying a bonus system based on the rigorous identification and assessment of the skills acquired by each employee.

## EMPLOYEES

In 2010, the average number of Group employees came to 3,129, compared with 3,135 in 2009. The geographical breakdown of the workforce is as follows:

	2010	2009	Variazione
Italy	1,709	1,656	53
India	393	410	(17)
China	328	299	29
USA	261	284	(23)
Germany	199	211	(12)
UK	68	75	(7)
Netherlands	63	90	(27)
France	36	34	2
Eastern Europe	30	41	(11)
Spain	18	16	2
Brazil	10	5	5
Japan	9	8	1
Thailand	3	4	(1)
Portugal	2	2	-
<b>Total</b>	<b>3,129</b>	<b>3,135</b>	<b>(6)</b>

GIMA S.p.A. and Naturapack S.r.l. have 69 employees who were not included in the 2009 consolidation.

The reduction in human resources in Europe and the USA is due to measures designed to rationalise the structures and limit the operating costs at certain Group companies.

The excellent educational level of the people employed by the Group is demonstrated by the fact that more than 80% possess a high-school diploma and/or a university degree.

With reference to the Group's organizational structure, around 19% of employees work in the commercial area, including pre-sales and after-sales, 20% in our R&D laboratories, 15% in central functions (Administration, IT, Procurement, Quality, Human Resources, etc.) and 46% in

production/logistics. This distribution of the workforce is a good reflection of the Group's business model, which is designed to retain the activities that represent critical and distinctive skills and outsource all other activities. The high degree of professionalism is also reflected in the fact that over 70% of employees are employed in office and managerial grades.

## PERSONNEL COSTS

Payroll amounted to 167.26 million euros, compared with 164.46 million euros in the prior year, equal to 33.2% of net revenues.

The increase compared with the previous year is mainly due to the inclusion of GIMA S.p.A. and Naturapack S.r.l. in the scope of consolidation for 4.98 million euros, partially offset by lower reorganization charges for 1.49 million euros.

Taking into account the principal elements of their remuneration, the personnel costs for Italian employees rose by 2.1%. The impact of the pay rises under the national collective bargaining agreement for metalworkers and the incentive policy decided by the Group was reduced by the effect of a lower performance bonus.

## HUMAN RESOURCE POLICY

The IMA Group continued to focus on the individual within the organization. This is confirmed by:

- the continual improvement of the selection process for more strategic roles;
- the average age of new recruits is still less than 30;
- most of the staff recruited were engaged with permanent or trainee contracts that guarantee certification of the training process followed;
- closer ties with national and international universities and centres of excellence, as well as traditional partnerships with local technical institutes;
- extensive training and orientation programs for new recruits that are structured to facilitate entry and communicate the Company's values.

In general, the contractual conditions offered to employees by all IMA Group companies are better than average for the sector as a whole.

Comprehensive health and accident coverage, agreements for discounted purchases and the best terms for numerous aspects of the employment contract (salaries, maternity leave, advances against severance pay, use of part-time work, etc.) are just some of tools used by the Italian companies within the IMA Group to create favourable conditions for the expression of individual talent, founded on our business culture with its system of strongly shared values. In this light, we also provide a psychological counselling service, backed up by the role of Employee Representative, which confirms the importance to us of our people. We take action to promote conditions of wellbeing in the workplace, especially with reference to phenomena that might result in social exclusion. This attention to the Group's human resources is tangibly demonstrated by our low rates of turnover (less than 3%) and absenteeism, which is always at ordinary levels.

**TRAINING**

More than 65% of employees were involved during the year in training geared towards improving the expertise of the Group's technical, administrative and commercial personnel. Specialized training, the updating of professional skills, work safety and managerial development continue to be the main topics.

**INDUSTRIAL RELATIONS**

On the industrial relations front, we continue to pursue our ongoing and constructive relationship with the trade unions. Thanks to this consolidated relationship, this past year was also largely free from disputes.

**HEALTH, SAFETY  
AND THE ENVIRONMENT**

The IMA Group governs safety and the working environment through full compliance with current legislation, not least through specific training designed to create a "culture of safety".

These principles are applied in full by all Group companies throughout the world.

As confirmation of the above, during 2010 we further increased our commitment and investment in staff training and information, which is considered the fulcrum of the safety management system currently in use. Above all, we can confirm that a culture of safety has to be pursued by involving all those who are in charge of the various production structures.

Then it is a matter of providing specific information on a timely basis to all of our employees about the risks to which they may be exposed, together with training designed to inculcate the use of safe working practices.

The Company pays great attention to the assessment of all sources of risk for the health of employees. This includes periodic analyses and measurements of the working environment, which have been found to comply in full with current standards; similar care is dedicated to determining how to handle any emergency situations that could arise.

On the issues of corporate social responsibility and responsibility versus the local community, we confirm our commitment to maintain high levels of safety and environmental protection. In fact, during the year no events took place that had a damaging effect on the environment.

As regards the security measures to be adopted for the handling of personal information, the Group operates in compliance with the current regulations on privacy.

**RELATED-PARTY  
TRANSACTIONS**

The "Regulation containing instructions on related-party transactions", adopted with CONSOB Resolution 17221 of 12 March 2010 and subsequently amended by CONSOB Resolution 17389 of 23 June 2010, implemented Art. 2391-bis of the Italian Civil Code.

With a resolution passed on 1 December 2010, the Board adopted the procedure on related parties, which was drawn up taking into consideration the instructions subsequently provided by CONSOB on how to apply the new rules with communication DEM/10078683 of 24 September 2010.

The purpose of this procedure, which is published on the Company's website ([www.ima.it](http://www.ima.it)), is to lay down the approach to be taken in identifying, reviewing and approving transactions to be carried out by IMA, or by its subsidiaries, with related parties to ensure that they are transparent and fair from both a substantive and procedural point of view.

Related-party transactions are identified in accordance with the guidelines of the Consob regulation.

More relevant related-party transactions are submitted for advance approval by the Board, which in turn has to obtain the consent of a special committee made up solely of independent directors. To express their opinion, this committee can also make use of outside experts, who also have to be independent.

The IMA Group conducts business with related parties, mainly persons responsible for administration and management at IMA S.p.A., or entities controlled by such persons. Such transactions include commercial and real estate activities (leased premises), carried out on an arm's-length basis in the ordinary course of business, and participation in the consolidated tax mechanism.

Transactions with related parties are described more completely in Note 32 to the consolidated financial statements.

## PERFORMANCE OF IMA S.P.A.

The commentary on Group performance has implicitly touched on the main events concerning the Parent Company.

## INCOME STATEMENT

The income statement reclassified by use as shown below was prepared applying the same criteria as those used to prepare the Group's income statement. For a breakdown of the various items (cost of sales, research and development costs, selling costs, general and administrative costs and gross operating margin) reference is made to the Report on Operations covering the consolidated financial statements.

The following main items in the reclassified income statement are equivalent to those reflected in the income statement presented in the section entitled "Financial statements": revenues, non-recurring items, operating profit, financial income and expense, profit before tax, income taxes and net profit for the year.

The highlights of the Parent Company's results for 2010 are summarized below on a comparative basis:

in millions of euros	2010		2009		Change %
	Amount	%	Amount	%	
<b>Revenues</b>	<b>127.39</b>		<b>111.14</b>		<b>14.6</b>
Cost of sales	(90.16)	70.8	(75.05)	67.5	
<b>Gross industrial income</b>	<b>37.23</b>	<b>29.2</b>	<b>36.09</b>	<b>32.5</b>	<b>3.2</b>
R&D costs	(4.17)		(4.01)		
Sales costs	(12.54)		(12.35)		
General and administrative costs	(11.93)		(9.99)		
<b>Operating profit before writedowns/impairment/ non-recurring items (EBITA)</b>	<b>8.59</b>	<b>6.7</b>	<b>9.74</b>	<b>8.8</b>	<b>(11.8)</b>
Writedowns/Impairment adjustments	-		(0.97)		
Non-recurring items	0.50		3.89		
<b>Operating profit (EBIT)</b>	<b>9.09</b>	<b>7.1</b>	<b>12.66</b>	<b>11.4</b>	<b>(28.2)</b>
Net financial income (expense)	27.75		26.14		
<b>Profit before tax</b>	<b>36.84</b>	<b>28.9</b>	<b>38.80</b>	<b>34.9</b>	<b>n.s.</b>
Income taxes	(6.07)		(5.48)		
<b>Net profit for the year</b>	<b>30.77</b>	<b>24.2</b>	<b>33.32</b>	<b>30.0</b>	<b>(7.7)</b>
<b>Gross operating profit (EBITDA)</b>	<b>12.89</b>	<b>10.1</b>	<b>18.60</b>	<b>16.7</b>	<b>(30.7)</b>
<b>Order book</b>	<b>43.10</b>		<b>42.19</b>		<b>2.2</b>

## REVENUES BY SECTOR

in millions of euros	2010		2009		Change %
	Amount	%	Amount	%	
Pharmaceutical packaging	63.74	50.0	52.07	46.9	22.4
Pharmaceutical processing	63.65	50.0	59.07	53.1	7.8
<b>Total</b>	<b>127.39</b>	<b>100.0</b>	<b>111.14</b>	<b>100.0</b>	<b>14.6</b>

The 16.25 million euro increase in revenues is mainly due to higher sales by the packaging sector.

With regard to revenues by segment:

- the pharmaceutical packaging segment achieved higher revenues compared with the previous year thanks to higher number of orders received during the second half of the year;
- the revenues of the pharmaceuticals processing segment rose by 7.8% thanks to the higher level of orders received.

## REVENUES BY GEOGRAPHICAL AREA

in millions of euros	2010		2009		Change %
	Amount	%	Amount	%	
European Union (excluding Italy)	30.61	24.0	39.95	35.9	(23.4)
Other European countries	11.49	9.0	9.57	8.6	20.1
North America	12.42	9.8	15.30	13.8	(18.8)
Asia & Middle East	32.05	25.2	13.57	12.2	136.2
Other countries	3.73	2.9	2.13	1.9	75.1
<b>Total foreign markets</b>	<b>90.30</b>	<b>70.9</b>	<b>80.52</b>	<b>72.4</b>	<b>12.1</b>
Italy	37.09	29.1	30.62	27.6	21.1
<b>Total</b>	<b>127.39</b>	<b>100.0</b>	<b>111.14</b>	<b>100.0</b>	<b>14.6</b>

More than 70% of revenues came from outside Italy, substantially in line with 2009. About 70% of revenues were generated by plant and machinery, while 30% came from after-sales activities (support, spares, formats etc.).

As to the geographical distribution of sales, there was a slight increase in Asia and the Middle East, while the European Union and the United States were penalised by unfavourable market conditions.

## GROSS INDUSTRIAL INCOME

Gross industrial income fell as a proportion of revenues by around 3 percentage points compared with the previous year.

This variance comes from a less favourable mix between the various products sold during the year.

## R&amp;D COSTS

R&D costs amounted to 4.17 million euros during the year (4.01 million euros in 2009) substantially in line with the previous year. This amount only relates to costs incurred to develop new products or update the technology of products already in distribution. The balance therefore excludes the cost of development work ordered by specific clients and the cost of customizing products that are already being distributed. Such expenditure is included in the cost of sales since it is invoiced to the clients concerned.

## SALES COSTS

Sales costs, including commissions paid to agents and intermediaries, totalled 12.54 million euros, compared with 12.35 million euros in 2009, and include 5.3 million euros of commissions paid to agents (5.1 million in 2009). Management is nevertheless working to improve the efficiency of the commercial structure despite an increase in unit labour costs.

## GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs rose from 9.99 million euros in 2009 to 11.93 million euros. This increase is linked to the rise in personnel costs and general expenses.

## OPERATING PROFIT

EBITDA is slightly lower than the previous year, while operating profit (down to 9.09 million euros versus 12.66 million euros in 2009) reflected less non-recurring income than in 2009 (0.5 million euros versus 3.9 million euros in respect of gains on the sale of buildings).

**NET FINANCIAL INCOME (EXPENSE)**

Net financial income, described further in the notes to the financial statements, amounted to 27.75 million euros (26.14 million euros in 2009).

The most significant items are discussed below:

- dividends received from subsidiaries amounted to 38.26 million euros in 2010 compared with 34.52 million euros in the previous year;
- the interest paid to service debt, including discounting interest, amounted to 3.55 million euros (4.78 million euros in 2009);
- in 2010 the writedown of the investment in Zanchetta S.r.l. of 7.13 million euros was booked to financial expense.

**NET PROFIT**

The profit for the year was 30.77 million euros (33.32 million euros in 2009), net of income taxes of 6.07 million euros (5.48 million euros in 2009).

The increase in the proportion of income taxes as a percentage of the pre-tax result is mainly due to the writedown of Zanchetta S.r.l. which is not deductible.

**BALANCE SHEET AND FINANCIAL POSITION**

The following main items in the statement of financial position are equivalent to the corresponding items reported in the consolidated statement of financial position included in the consolidated financial statements: inventories, property, plant and equipment, intangible assets and equity.

Other payables, net, mainly includes the amounts due to employees, income tax liabilities and provisions for risks and charges.

The company's balance sheet and financial position at 31 December 2010 are summarized below:

in millions of euros	31.12.2010		31.12.2009		Change %
	Amount	%	Amount	%	
Trade receivables	51.22	28.5	36.95	21.3	38.6
Inventories	31.42	17.5	30.32	17.5	3.6
Trade payables	(50.75)	(28.2)	(33.36)	(19.2)	52.1
Other, net	(10.19)	(5.7)	(15.10)	(8.7)	n.s.
<b>Working capital</b>	<b>21.70</b>	<b>12.1</b>	<b>18.81</b>	<b>10.8</b>	<b>15.4</b>
Property, plant and equipment	9.90	5.5	16.96	9.8	(41.6)
Intangible assets	17.56	9.8	17.88	10.3	(1.8)
Investments	138.24	76.9	127.07	73.2	8.8
<b>Non-current assets</b>	<b>165.70</b>	<b>92.2</b>	<b>161.91</b>	<b>93.3</b>	<b>2.3</b>
Provision for severance indemnities and other provisions	(7.69)	(4.3)	(7.19)	(4.1)	7.0
<b>Net capital employed</b>	<b>179.71</b>	<b>100.0</b>	<b>173.53</b>	<b>100.0</b>	<b>3.6</b>
<b>FINANCED BY:</b>					
<b>Net debt</b>	<b>98.09</b>	<b>54.6</b>	<b>95.69</b>	<b>55.1</b>	<b>2.5</b>
<b>Equity</b>	<b>81.62</b>	<b>45.4</b>	<b>77.84</b>	<b>44.9</b>	<b>4.9</b>
<b>Total sources of financing</b>	<b>179.71</b>	<b>100.0</b>	<b>173.53</b>	<b>100.0</b>	<b>3.6</b>

**WORKING CAPITAL**

Working capital at 31 December 2010 amounted to 21.70 million euros, up from its level in 2009 (18.81 million euros). The elements of this change are discussed below:

- trade receivables have rose by 14.27 million euros from 36.95 million euros at 31 December 2009 to 51.22 million euros, also as a result of higher sales volumes;
- inventories have increased by 1.10 million euros (from 30.32 million euros in 2009 to 31.42 million euros in 2010);
- trade payables, including advances from customers, have increased by 17.39 million euros, from 33.36 million euros at 31 December 2009 to 50.75 million euros at 31 December 2010.

**NON-CURRENT ASSETS**

Overall, non-current assets have increased by euros 3.79 million since 31 December 2009. As part of this aggregate:

- investments rose by 11.17 million euros principally because of the acquisitions of GIMA S.p.A., Naturapack S.r.l. and the minority interests in IMA Flavour S.r.l. and IMA Life S.r.l.;
- property, plant and equipment and intangible assets, net of accumulated depreciation and amortization, decreased by 7.38 million euros since 31 December 2009, due to the net effect of the following movements:

in millions of euros	Non-current assets		
	Property, plant and equipment	Intangible	Total
Increases in the year	2.98	1.27	4.25
Net book value of disposals	(7.82)	(0.01)	(7.83)
Amortization and depreciation charges for the year	(2.22)	(1.58)	(3.80)
<b>Total</b>	<b>(7.06)</b>	<b>(0.32)</b>	<b>(7.38)</b>

The changes in individual items are described in the notes to the financial statements.

**NET CAPITAL EMPLOYED**

Compared with 31 December 2009, capital employed net of operating liabilities increased by 6.18 million euros to 179.71 million euros for the reasons described above.

**NET DEBT**

Net debt at 31 December 2010 amounts to 98.09 million euros and breaks down as follows:

in millions of euros	31.12.2010	31.12.2009
A. Cash and cash equivalents	(21.24)	(26.20)
B. Other cash equivalents	-	-
C. Investments in securities	(1.26)	(0.88)
<b>D. Liquidity (A)+(B)+(C)</b>	<b>(22.50)</b>	<b>(27.08)</b>
<b>E. Current financial receivables</b>	<b>(37.42)</b>	<b>(27.43)</b>
F. Current payables to banks	59.35	47.48
G. Current portion of non-current bank payables	38.43	28.79
H. Other current financial payables	17.50	1.07
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>115.28</b>	<b>77.34</b>
<b>J. Net current financial debt (D)+(E)+(I)</b>	<b>55.36</b>	<b>22.83</b>
K. Non-current portion of non-current bank payables	47.66	71.56
L. Non-current financial assets	(5.00)	-
M. Other non-current financial payables	0.07	1.30
<b>N. Non-current financial debt (K)+(L)+(M)</b>	<b>42.73</b>	<b>72.86</b>
<b>O. Net financial debt (J)+(N)</b>	<b>98.09</b>	<b>95.69</b>

A breakdown of the items comprising net debt is given in Notes 4, 11 and 14.

The analysis of net debt takes account of the provisions of Consob Communication DEM/6064293 dated 28 July 2006 and CESR Recommendation 05-054/B dated 10 February 2005.

Net debt amounted to 98.09 million euros, up 2.40 million euros from 95.69 million euros at 31 December 2009.

Since we plan to maintain the same level of investment and continue to hold down working capital, good cash generation can be expected in 2011, also in view of the forecast improvement in performance.

## SHAREHOLDERS' EQUITY

Equity at 31 December 2010 amounted to 81.62 million euros, up by 3.78 million euros for the year due to the net effect of the following movements:

Dividends paid during the year	(30.69)
Purchase and sale of treasury shares	3.54
Valuation of financial instruments at equity	0.16
Net profit	30.77
<b>Total</b>	<b>3.78</b>

## INVESTMENT

During 2010, the Company invested 1.27 million euros (3.22 million euros in 2009) in intangible assets and 2.98 million euros (3.42 million euros in 2009) in property, plant and equipment, for a total of 4.25 million euros (6.64 million euros in 2009).

Spending on intangible assets mainly related to applications, administrative and technical software (0.46 million euros) and the capitalization of entirely new products that will generate economic benefits in future years (0.67 million euros). As regards investment in property, plant and equipment, these mainly relate to buildings and leasehold improvements (2.16 million euros) and electronic machinery (0.33 million euros).

## HUMAN RESOURCES, TRAINING AND INDUSTRIAL RELATIONS

The policies and guidelines for the management of human resources are discussed in relation to the IMA Group.

## EMPLOYEES

In 2010, the average number of IMA employees came to 697, compared with 707 in 2009.

The breakdown of the workforce by grade is summarized below:

	31.12.2010	31.12.2009
Management	29	28
Office workers	488	494
Production workers	180	185
<b>Total</b>	<b>697</b>	<b>707</b>

The excellent educational standard of the human resources employed by the Company is demonstrated by the fact that around 86% possess a high-school diploma or a university degree.

In terms of the organizational structure, employees work in the following main professional areas:

	%		
	Total employees	of which: men	of which: women
Sales and marketing, including pre-sales and post-sales	12.2%	49.4%	50.6%
Research and development	16.1%	96.4%	3.6%
Production	44.7%	92.0%	8.0%
Central and administrative functions	27.0%	48.1%	51.9%
<b>Total</b>	<b>100.0%</b>	<b>75.7%</b>	<b>24.3%</b>

This distribution of the workforce is a good reflection of IMA's business model, which is designed to retain the activities that represent critical and distinctive skills and outsource all other activities. The high degree of professionalism is partly reflected in the fact that 74% of our employees are occupied in office and management activities.

Women, who make up 24.3% of total human resources, work mainly in sales and marketing and administrative functions. In the production areas, women are mostly employed in production logistics and planning.

## PERSONNEL COSTS

Personnel costs totalled 45.38 million euros, compared with 44.81 million euros in the prior year.

Taking into account the principal elements of remuneration, personnel costs have gone up by 1.6%. The impact of the pay rises under the national collective bargaining agreement for metalworkers and the incentive policy decided by the Group was reduced by a lower performance bonus.

## TRAINING

IMA, like all organizations that wish to tackle the market's competitive challenges, considers continuous training to be a strategic area.

Investment is not only intended for initial training but is maintained over time, increasingly using training as a lever for employee growth and motivation, and consequently for the business' competitive development.

Complex organizations, in continuous evolution, like IMA, require employees equipped with enterprise and initiative, driven by the desire to learn and improve continuously, questioning their own skills and ready for continuous assessment.

From this point of view, IMA is also a point of reference for the district system to which it belongs, working hard to adapt its organizational and management models to the "knowledge economy", in which professional careers - which are increasingly discontinuous and multidisciplinary - require "generalist" skills that accompany the high standard of professionalism required to work in an international context, in contact with innovative technologies and in a competitive market.

## INDUSTRIAL RELATIONS

On the industrial relations front, we continue to pursue our ongoing and constructive relationship with the trade unions. Thanks to this consolidated relationship, this past year was also largely free from disputes.

The procedure for renewal of the in-house supplementary labour contract was initiated towards the end of the year.

## HEALTH, SAFETY AND THE ENVIRONMENT

For IMA, safety and protection of the working environment involves full compliance with current legislation, as well as specific training designed to create a "culture of safety".

These principles are applied in full by all Group companies throughout the world.

As confirmation of the above, during 2010 we further increased our commitment and investment in staff training and information, which is considered the fulcrum of the safety management system currently in use. Overall, around 700 hours of staff training was carried out on specific aspects of safety and hygiene in the workplace, involving practically all employees. Above all, we can confirm that, within the Company, a culture of safety has to be pursued by involving all those who are in charge of the various production structures.

The Company pays a great deal of attention to the assessment of all sources of risk for the health of employees. This includes periodic analyses and measurements of the working environment, which have been found to comply in full with current standards; similar care is dedicated to determining how to handle any emergency situations that could arise.

Risk assessment is carried out on the basis of British Standard 18004:2008, where applicable. The importance of this standard is also recognized by Decree 81/2008 (the "Safety at Work Code"), which considers it the standard of reference for certification of a firm's safety management system. Indeed, we began the process for obtaining OHSAS 18001 certification during 2010.

On the other hand, during that year the safety management system had to take into consideration a rising number of safety procedures: it is a tool that has proved extremely useful to guarantee specific information on a timely basis to all of our employees about the risks to which they may be exposed and, at the same time, training to ensure that they always use safe working practices.

The accident frequency and severity indices, respectively 4.57 (FI) and 0.051 (SI), are key indicators of the effectiveness and quality of the action taken. These were determined with reference to accidents within the Company and are based on the UNI 7249 standard.

With regard to corporate social responsibility and the local areas in which we operate, we confirm our commitment to maintain high levels of safety and environmental protection. Specifically, the Company did not cause any damage to the environment during the year under review.

As regards the data protection of personnel information, the Company has updated its security planning document, as required by current legislation.

## TRANSACTIONS WITH PARENT, SUBSIDIARY AND ASSOCIATED COMPANIES

There were numerous intercompany transactions during the year, all carried out within the framework of ordinary operations and on an arm's-length basis. Intercompany transactions are in fact a part of the Group's organizational structure. They involve commercial activities (companies wholly owned by IMA S.p.A. in various countries that market the Group's products as agents or dealers) and the manufacturing phase (subsidiaries of IMA S.p.A. that make certain types of machines and supplement the range supplied of IMA S.p.A. or their own range, by selling machines to or buying machines from IMA S.p.A.), as well as participation in the consolidated tax mechanism. Transactions also include financial transactions among the Group companies, carried out within the framework of ordinary operations and on an arm's length basis; none of these transactions can be considered atypical.

Further information is provided in Note 29 to the Company's financial statements.

## RELATED-PARTY TRANSACTIONS

The "Regulation containing instructions on related-party transactions", adopted by CONSOB Resolution 17221 of 12 March 2010 and subsequently amended by CONSOB Resolution 17389 of 23 June 2010, implemented Art. 2391-bis of the Italian Civil Code. With a resolution passed on 1 December 2010, the Board adopted the procedure on related parties, which was drawn up taking into consideration the instructions subsequently provided by CONSOB on how to apply the new rules with communication DEM/10078683 of 24 September 2010.

The purpose of this procedure, which is published on the Company's website ([www.ima.it](http://www.ima.it)), is to lay down the approach to be taken in identifying, reviewing and approving transactions to be carried out by IMA, or by its subsidiaries, with related parties to ensure that they are transparent and fair from both a substantive and procedural point of view.

Related-party transactions are identified in accordance with the guidelines of the Consob regulation.

The most significant related-party transactions are submitted for advance approval by the Board, which in turn has to obtain the consent of a special committee made up solely of independent directors, to express their opinion. This committee can also make use of outside experts, who also have to be independent.

In addition to the intercompany transactions described above, the Company enters into transactions with other related parties, mainly persons responsible for administration and management at IMA S.p.A., or entities controlled by such persons. The transactions concerned mostly involve real estate (premises rented for operational purposes) and commercial activities and are carried out in the ordinary course of business on arm's-length terms.

Transactions with related parties are described more fully in Note 29 to the Company's financial statements.

## COMPANY'S LOCATIONS OF OPERATION

The activities of IMA S.p.A. are carried on at the following locations:

Via Tosarelli, 184 Castenaso (BO) - Head office

Via 1 Maggio, 14/16 Ozzano dell'Emilia (BO) - Factory

Via 1 Maggio, 99/107 Ozzano dell'Emilia (BO) - Warehouse

Via Emilia, 428/442 Ozzano dell'Emilia (BO) - Factory

Via Emilia, 237 Ozzano dell'Emilia (BO) - Offices

Via Romagnoli, 2 Bentivoglio (BO) - Factory

Via Romagnoli, 11/2 Bentivoglio (BO) - Factory

Via Nobel, 1 Ozzano dell'Emilia (BO) - Factory

Via Nobel, 32 A Ozzano dell'Emilia (BO) - Warehouse

Via Nobel, 32 C-D Ozzano dell'Emilia (BO) - Warehouse

## OTHER INFORMATION

### SIGNIFICANT EVENTS AFTER YEAR-END

The following main events took place subsequent to year-end:

- the merger of IMA Safe S.r.l. into IMA S.p.A. with effect from 1 January 2011;
- the merger of Nova Packaging Systems Inc. into IMA North America Inc. with effect from 1 January 2011;
- on 17 January 2011 the Regional Tax Office of Emilia Romagna began a tax audit at IMA Life S.r.l. for a substantive control of income tax, VAT, IRAP and other dues for the tax year 2008;
- on 28 January 2011, an Extraordinary Shareholders' Meeting approved the matters to be resolved, namely:
  - amendment and update of the Articles of Association to bring them into line with current regulations;
  - amendment and update of the Regulations for Shareholders' Meetings to bring them into line with current regulations;
  - amendment of Art. 5 of the Articles of Association to make it possible to increase the share capital in accordance with Art. 2441.4.2 of the Civil Code, as well as to grant a mandate for this purpose to the Board of Directors as per Art. 2443 of the Civil Code.
  - granting a mandate to the Board of Directors for a period of five years from the date of the resolution under Art. 2443 of the Civil Code to increase the share capital for payment in one or more tranches by up to a maximum at par of 1,773,200 euros by issuing a maximum of 3,410,000 ordinary shares of par value 0.52 euros each, to be placed exclusively with third parties excluding current shareholders' option rights, in accordance with Art. 2441.4.2 and/or Art. 2441.5 of the Civil Code.

These amendments to the Articles of Association took effect after they had been filed with the pertinent Companies Register, which took place on 3 February 2011;

- on 10 February 2011, IMA S.p.A. completed its acquisition of the Sympak Corazza Group's Dairy & Convenience Food division, as announced in October 2010. This operation was carried out through IMA Industries S.r.l., a wholly-owned subsidiary. The agreed acquisition price amounts to 57.5 million euros, all of which was paid at the time that ownership of the shares was transferred. Some 6 million euros of debt was also taken on at the time of the closing. The parent company's financial statements for 2010 show sales of around 91 million euros and an EBITDA of around 13 million euros. Moreover, IMA acquired from Sympak Corazza, through a wholly-owned subsidiary CMH S.r.l., 100% of OPM S.p.A., which runs the packaging side of the "Chocolate & Confectionery" sector, partly through FIMA S.p.A., a 70%-held subsidiary. This purchase was carried out through a vehicle company to assess possible strategic alliances in this business. The price agreed by the parties comes to 6.5 million euros, all of which was paid at the closing, also taking on some 2 million euros of debt. The 2010 consolidated financial statements of OPM S.p.A. show sales of around 50 million euros, an EBITDA of around 2 million euros and net financial debt of around 2 million euros. These acquisitions form an integral part of our strategy to enlarge the range of machines designed and produced by our Group for the niche food industry, so as to maximise the benefits and synergies that can be obtained from the recent acquisition of GIMA S.p.A.

## OUTLOOK FOR THE CURRENT YEAR

After performing less well than in 2009, the Group has closed 2010 with an order book that is excellent in terms of both quantity and quality. The trend of order acquisition is continuing in the first months of this year in both pharmaceuticals and food, with a considerable number of negotiations currently underway. This increase has been of around 50% in the first two months of this year. Thanks to this situation and the contribution expected to come from the Sympak Group that we purchased in February this year, we feel it reasonable to assume that 2011 will see revenues of around 640 million euros and a gross operating profit (EBITDA) of around 92 million euros.

## PRINCIPAL RISKS AND UNCERTAINTIES TO WHICH IMA S.P.A. AND THE GROUP ARE EXPOSED

In conducting its business, the IMA Group is exposed to various types of risk which could have an impact on its performance and financial situation:

- competition: the market in which the Group operates is extremely dynamic and the success of the Group's business depends on its ability to maintain and increase market share and to expand into new markets with innovative products. To counter the risk of new competitors entering the market, the Group maintains a high level of investment in R&D (approximately 5% of revenues in 2010), has a wide array of registered trademarks and a strong sales team with a direct presence in the countries where it operates, which ensures a high level of customer service;
- exchange rate fluctuations: exposure to exchange risk is primarily due to the geographic distribution of production and sales, which results in exports denominated in currencies different from those of production. In particular the IMA Group is primarily exposed to exchange risk for exports from the euro area to that of the US dollar. The Group uses currency hedging to limit exchange rate risk. For a more detailed analysis of financial risk, please refer to the section below entitled "Financial risk management policy and objectives";
- staff skills: for the IMA Group, human resources are a critical success factor. The Group therefore considers proper HR management as a matter of the highest importance. In order to increase its ability to attract and keep highly qualified staff, the Group constantly refines its recruitment process for its strategically important positions and rewards staff with contractual conditions that are better than those offered on average in the sector;
- technology protection: the Group's market sector is characterised by the planning and production of products with a high technological content which run the risk that competitors might try to replicate the technologies used. In order to counter such risk the Group invests heavily in intellectual property and holds a large number of registered patents.

## FINANCIAL RISK MANAGEMENT POLICY AND OBJECTIVES

The following disclosures are provided about the objectives and policies adopted for financial risk management, as they relate to the statutory financial statements pursuant to Art. 2428 of the Italian Civil Code, and to the consolidated financial statements pursuant to Art. 40 of Legislative Decree 127/1991:

### Financial risk factors

The Group is exposed to various types of financial risk connected with its business activities, the following in particular:

- Credit risk, arising from commercial transactions or financing activities;
- Liquidity risk, related to the availability of financial resources and access to the credit market;
- Market risk, specifically:
  - a) Exchange rate risk, relating to operations in areas using currencies other than the functional currency;
  - b) Interest rate risk, relating to the Group's exposure to interest-bearing financial instruments;
  - c) Price risk, associated with changes in the listed price of capital instruments held as financial assets and commodity prices.

The objectives and policies of the Company and the Group concerning financial risk management and exposure to risk are more fully described in the "Financial Risk Management" sections of the consolidated and statutory financial statements; specifically in Notes 4, 6, 11 and 14 of the Parent Company's financial statements and in Notes 5, 7, 12 and 16 of the consolidated financial statements.

### Hedging instruments

The Company and the Group mainly use derivatives to hedge exchange rate and interest rate risk and do not hold any speculative financial instruments, as required by the procedure approved by the Executive Committee.

All further details are duly provided in the "General preparation policies" section in the paragraphs on hedging instruments: specifically in Note 6 to the Parent Company's financial statements and in Note 7 to the consolidated financial statements.

## ATYPICAL AND/OR UNUSUAL TRANSACTIONS

No significant atypical and/or unusual transactions have been carried out by IMA S.p.A. or the IMA Group.

## TREASURY SHARES

During the year, IMA S.p.A. sold 255,243 treasury shares for 3.5 million euros. As a result, at 31 December 2010 it did not hold any treasury shares.

## LEGISLATIVE DECREE 231/2001

At its meeting of 27 March 2008, the Board of Directors adopted the Compliance Model envisaged by Decree 231 of 8 June 2001 concerning the administrative liability of legal persons. Following the adoption of this model, a number of internal procedures were developed and/or modified.

At the same time the Compliance Model was adopted, a Code of Ethics was also adopted and the Supervisory Board was appointed.

The Supervisory Board comprises:

- Maria Lucia Sireci – Chairman, a professional with a legal background, who has a particular knowledge of the Company's organisational structure;
- Gerardo Diamanti, an independent professional with an economics background and particular experience in cash flow management;
- Mario Panzeri, a professional with a background in company law, specific experience of supervisory boards and particularly knowledgeable about protocols and procedures.

The Supervisory Board is tasked with supervising the functioning of the Compliance Model, monitoring compliance and taking care of revisions. It reports periodically to the Board of Directors, also through the Internal Control Committee.

The members of this body do not hold any position within the Company and satisfy the requirements of autonomy and independence needed to perform their duties.

The Supervisory Board will remain in office until further notice.

The Compliance Model was updated in 2010. The amendments made also led to the inclusion of new offences and the identification of the related sensitive processes.

The Compliance Model and the Code of Ethics can be viewed on the Company's website: [www.ima.it](http://www.ima.it).

## CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE CODE

IMA subscribes to and enforces the Corporate Governance Code for Listed Companies approved in March 2006 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A. (which runs the Italian Stock Exchange).

The Code can be viewed on the website of Borsa Italiana ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

A description of the Company's corporate governance system and its ownership structure, as well as adoption of the individual provisions of the Corporate Governance Code, can also be obtained in the Company's report on corporate governance and its ownership structure.

The Board discloses the positions of director or auditor held by its members in listed companies, including foreign companies, financial companies, banks, insurance companies and other large companies, on the basis of their own declarations:

**Giancarlo Folco**

- Folco Finanziaria Immobiliare S.r.l. (Chairman and Managing Director)

**Marco Galliani**

- Cassa di Risparmio di Ravenna (Director)
- Cassa di Risparmio di Milano e della Lombardia (Director)

**Andrea Malagoli**

- SO.FI.M.A. S.p.A. (Director)

**Italo Giorgio Minguzzi**

- Fondazione Ducati Corse S.p.A. (Executive Committee Member)
- Ghisamestieri S.r.l. (Director)
- Unitec S.p.A. (Director)

**Luca Poggi**

- Fondazione Cassa di Risparmio in Bologna (Statutory Auditor)
- Nu Air Compressors and Tools S.p.A. (Auditor)
- Opera SGR S.p.A. (Director)
- Tesmec S.p.A. (Director)

**Enrico Ricotta**

- Mandarin Capital Management SA (Director)

**Pierantonio Riello**

- Banca Popolare di Verona San Geminiano e San Prospero (Director)

**Maria Carla Schiavina**

- Consorzio Schiavina-Adanti (Chairman)
- Eredi Schiavina S.r.l. (Chairman)
- Immobiliare San Trovaso S.r.l. (Vice Chairman)
- Immobiliare Schiavina S.r.l. (Vice Chairman)
- Murazzi Ecostruttura-Mecos S.r.l. (Vice Chairman)
- Schiavina S.r.l. (Chairman)
- SO.FI.M.A. S.p.A. (Director)

**Alberto Vacchi**

- ALVA S.p.A. (Sole Director)
- SO.FI.M.A. S.p.A. (Director)

**Gianluca Vacchi**

- Cofiva Holding S.p.A. (Sole Director)
- Cofiva S.A. (Director)
- Eleven Finanziaria S.r.l. (Sole Director)
- First Investment S.p.A. (Sole Director)
- G.V. Finanziaria S.r.l. (Sole Director)
- Medinvest International S.c.a. (Member of the Supervisory Board)
- SO.FI.M.A. S.p.A. (Director)
- Tesmec S.p.A. (Director)

**Marco Vacchi**

- Banca di Bologna Credito Cooperativo SCRL (Chairman)
- B Group S.p.A. (Director)
- Fondazione Cassa di Risparmio in Bologna (Member)
- Lopam Fin S.p.A. (Chairman)
- SO.FI.M.A. S.p.A. (Chairman)
- Lopam S.r.l. (Chairman)
- Idice S.p.A. (Sole Director)
- Antares Nova S.r.l. (Sole Director)
- Società della Luna S.r.l. (Sole Director)
- Società del Sole S.r.l. (Sole Director)
- Gavignano S.r.l. (Chairman)
- Ecoagri Serbia S.r.l. (Sole Director)

**Romano Volta**

- Datalogic S.p.A. (Chairman)
- Hydra S.p.A. (Chairman)
- San Paolo IMI Fondi Chiusi SGR S.p.A. (Director)

The Directors with delegated powers must provide to the Board of Directors and the Board of Auditors, at least every quarter, at the time of Board meetings or in a written communication, the information on related-party transactions required by Art. 150 of the CFA and Art. 2381 of the Italian Civil Code.

During 2010 the Delegated Committees reported to the Board of Directors about the activities which were delegated to them at the first available board meeting.

Certain members of the Board of Auditors of IMA, in compliance with Consob recommendation 97001574 of 20/02/1997, hold similar positions in the following subsidiaries: CO.MA.DI.S. S.p.A., IMA Life S.r.l., IMA Safe S.r.l. IMA Industries S.r.l. (formerly IMA Flavour S.r.l.), GIMA S.p.A. and Sympak Corazza S.p.A., which has facilitated the provision of the information necessary to complete their duties to the Board of Auditors of the Parent Company.

**CONSOB RESOLUTION  
NO. 11971 OF 14 MAY 1999**

In accordance with the requirements expressly laid out under Art. 79 of the Issuers' Regulation, the following table sets out the equity investments held by directors, statutory auditors, general managers, executives with strategic responsibilities and their spouses and minor children in IMA and its subsidiaries:

	Name of the company held	Number of shares held at the end of 2009	Number of shares purchased	Number of shares sold	Number of shares held at the end of 2010
Aicardi Piero	IMA S.p.A.	9,200	-	9,200	-
Castiglione Gaetano	GIMA S.p.A.	-	40,000	-	40,000
Castiglione Gaetano (*)	IMA Flavour S.r.l.	45,000	-	45,000	-
Feroli Massimo	GIMA S.p.A.	-	12,500	-	12,500
Folco Giancarlo	IMA S.p.A.	1,300,000	-	-	1,300,000
Marzo Sergio	GIMA S.p.A.	-	7,000	-	7,000
Pecchioli Giovanni (*)	IMA Life S.r.l.	770,000	-	770,000	-
Vacchi Gianluca	IMA S.p.A.	896,365	-	20,000	876,365
Vacchi Marco	IMA S.p.A.	20,394	-	-	20,394
Volta Romano	IMA S.p.A.	50,000	281,292	-	331,292

(\*) Nominal value of the investment in the share capital of the company.

REPORT ON CORPORATE  
GOVERNANCE AND OWNERSHIP  
STRUCTURE IN COMPLIANCE WITH  
ART. 123 BIS OF THE CONSOLIDATED  
LAW ON FINANCIAL  
INTERMEDIATION

In accordance with the provisions of Art. 123 bis, paragraph (3), of the Consolidated Law on Financial Information (the CFA) and Art. 89 bis of the Issuers' Regulations, the Company has prepared the Report on Corporate Governance and Ownership Structure separately from the Report on Operations. It has therefore been made public by posting it on the Company's website ([www.ima.it](http://www.ima.it)).

The following are some of the major items of information published in the said Report:

-a- Capital structure (ex Art. 123 bis, paragraph 1, (a), CFA)

Share capital at 31 December 2010 amounted to 17,732,000 euros represented by 34,100,000 ordinary shares with a par value of 0.52 euros each.

The Company's shares are listed in the STAR segment of the screen-traded market (MTA) organised and managed by Borsa Italiana S.p.A.

The Company has not issued other financial instruments that grant the right to subscribe for newly-issued shares.

The Company has not approved a stock-based incentive plan (stock options, stock grants, etc.).

-b- Restrictions on the transfer of securities (Art. 123 bis, paragraph 1, (b), CFA)

At the date of this Report, there are no restrictions on the transfer of the Company's shares.

-c- Significant shareholdings (Art. 123 bis, paragraph 1, (c), CFA)

As of the date of this Report, based on the shareholders' register and the communications pursuant to Art. 120 of the CFA and other information received, the following parties directly or indirectly hold at least 2% of the Company's share capital:

Declarant	Direct shareholder	Percent share of ordinary capital	Percent share of voting capital
Lopam Fin S.p.A.	SO.FI.M.A. S.p.A.	71.517%	71.517%
Mandarin Capital Management S.A. (*)	Morchella S.r.l.	4.084%	4.084%
	Rufus S.r.l.	4.096%	4.096%
Folco Giancarlo	Folco Fin.Immobiliare S.r.l.	3.812%	3.812%
Vacchi Gianluca	G.V. Finanziaria S.r.l.	2.570%	2.570%

(\*) As manager of the Mandarin Capital Partners SCA SICAR private equity fund which controls Morchella S.r.l. and Rufus S.r.l.

-d- Securities that entitle holders to special rights (Art. 123 bis, paragraph 1, (d), CFA)

As of the date of this Report, no securities have been issued by the Company entitling holders to special rights of control or to exercise special powers.

-e- Shares held by employees: exercise of voting rights (Art. 123 bis, paragraph 1, (e), CFA)

As of the date of this Report, no employee shareholding system is envisaged.

-f- Restrictions on voting rights (Art. 123 bis, paragraph 1, (f), CFA)

As of the date of this Report, no restrictions on voting rights are envisaged.

-g- Shareholders' agreements (Art. 123 bis, paragraph 1, (g), CFA)

At the date of this Report, the Company is aware of a shareholders' agreement between the following shareholders: Rufus S.r.l., Morchella S.r.l. and SO.FI.MA. Società Finanziaria Macchine Automatiche S.p.A. which is considered relevant under Art. 122 of the CFA; an extract of this

agreement was published in accordance with the law in "MF Milano Finanza" on 4 December 2009 and deposited at the Bologna Companies Register on 3 December 2009.

Throughout its period of validity, the agreement provides for:

- the right of Rufus S.r.l. and Morchella S.r.l. to appoint one of the members of the Board of Directors of IMA S.p.A.;

- the follow-on right of Rufus S.r.l. and Morchella S.r.l. in the event that SO.FI.MA. Società Finanziaria Macchine Automatiche S.p.A. intended to transfer, in one or more tranches, IMA shares representing at least 5% of the share capital or such as would reduce the interest of SO.FI.MA. Società Finanziaria Macchine Automatiche S.p.A. below 50%;

- an undertaking by each of the parties:

I) not to launch a public offering to buy or exchange IMA shares,

II) not to perform any act or activity, which could give rise to an obligation by any party to launch a public offering to buy or exchange IMA shares,

III) not to perform any act that could give rise to the delisting or require IMA to request the delisting of IMA shares from the MTA,

unless such offer has been launched or such act or activity carried out under the terms and conditions and in the manner agreed in advance with the other parties to the agreement.

After publication of the agreement, Rufus S.r.l. purchased 339,393 shares in the Company and these were automatically included in the shareholders' agreement.

As required by law, an extract of this change in the shareholders' agreement was published in "MF Milano Finanza" on 3 July 2010 and then deposited at the Bologna Companies Register.

-h- Change of control clauses (Art. 123 bis, paragraph 1, (h), CFA)

At the date of this Report, neither IMA nor any of its subsidiaries have entered into any agreements which become effective, modified or terminate upon the change of control of the contracting party, with the sole exception of the loan finance agreements entered into by the Company on 30 January 2008 and on 30 November 2009, which require the Company to repay in full in the event that there is any change in the parties controlling the ultimate parent company.

-i- Authorization to increase share capital and purchase treasury shares (Art. 123 bis, paragraph 1, (m), CFA)

As of year end, the Board of Directors has not been authorized to increase the share capital pursuant to Art. 2443 of the Italian Civil Code nor to issue any equity instruments.

After 31 December 2010 and specifically on 28 January 2011, an Extraordinary Shareholders' Meeting voted to grant a mandate to the Board of Directors for a period of five years from the date of the resolution to increase the share capital for payment in one or more tranches.

On 29 April 2010, the Shareholders' Meeting authorized the purchase of treasury shares in accordance with Art. 2357 of the Italian Civil Code.

The Shareholders' Meeting thus authorized the Board of Directors to purchase the Company's own shares up to 10% of share capital taking into account shares already owned and within the limits of the available reserves and distributable profits as reported in the most recent approved financial statements, as well as authorising the Board to sell or make use of such treasury shares.

The Shareholders' Meeting authorized the purchase and/or sale and/or disposal of treasury shares to stabilise the stock price and, more generally, for share buy-back programs to increase the stock price to the advantage of shareholders.

During 2010, the Company made use of its right to carry out transactions in its own shares, selling 255,243 of the treasury shares that it held at 31 December 2009 (0.749% of the share capital).

-I- Management and coordination activity (ex Art. 2497 C.C.)

Although it is controlled by SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A., IMA is not subject to the former's management or coordination pursuant to Arts. 2497 et seq. of the Italian Civil Code.

Basically, the decision-making process, management decisions and operations of IMA are not influenced in any way by its parent company, which is also ensured by the fact that IMA's Board of Directors includes a sufficient number of independent directors to make a significant contribution to any of the Board's resolutions.

Further evidence of IMA's decision-making independence is that fact that the Company enjoys full negotiating power with all customers, suppliers and banks and that there is no centralized treasury mechanism involving IMA or its subsidiaries and SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A.

#### CERTIFICATION UNDER ART. 2.6.2 OF THE ISSUERS' REGULATIONS

In connection with foreign subsidiaries incorporated and regulated by the law of countries that do not belong to the European Union, Consob's Market Regulations lay down the conditions that have to exist for IMA, as their parent company, to maintain its listing on an organised market.

The conditions laid down by Consob's Market Regulations that IMA has to comply with are as follows:

- making available to the general public the subsidiaries' accounts prepared for consolidation purposes, including at least a balance sheet and an income statement;
- obtaining from the subsidiaries a copy of their Articles of Association and the composition and powers of their corporate bodies;
- checking the fact that the subsidiaries provide IMA's auditors with all of the information that they need to perform their audit on IMA's annual and interim accounts, as well as to have a suitable administrative and accounting system to provide IMA's management and auditors the economic and financial data to prepare the consolidated financial statements.

The Board of Directors identified the companies to which these rules apply, firstly at the meeting on 8 August 2008 and then at the meeting on 26 March 2010.

IMA recently acquired control - albeit indirect control - over a number of non-EU companies.

As of today, there are fifteen companies in the IMA Group based in eight countries that do not belong to the European Union.

However, these rules only apply to two of these companies, which are indirectly controlled, both located in the United States: only these are of a significant size as required by the rules in question, which excludes from the field of application those companies whose total assets are less than 2% of the parent company's consolidated assets and whose revenues are less than 5%

of consolidated revenues, providing the sum of the assets and revenues of the companies excluded do not exceed 10% and 15%, respectively, of the consolidated assets and revenues.

With regard to these companies, IMA has therefore drawn up suitable procedures to comply with all of the matters laid down in the regulations.

This is the reason for the certification that all of the conditions foreseen in Consob's Market Regulations on "Conditions for the listing of shares of companies with control over companies established and regulated under the law of non-EU countries" exist at all of IMA's non-EU subsidiaries that are considered relevant for the purposes of these rules.

CONSOLIDATED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2010

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH  
SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

## CONSOLIDATED BALANCE SHEET

(THOUSANDS OF EUROS)

ASSETS	Note	31 December 2010	31 December 2009
<b>NON-CURRENT ASSETS</b>			
<i>Property, plant and equipment</i>	2	26,714	28,043
<i>Intangible assets</i>	3	122,777	115,367
<i>Investments accounted for using the equity method</i>	4	11,103	10,224
<i>Financial assets</i>	5	8,500	8,810
<i>Receivables from others</i>	6	592	521
<i>Derivative financial instruments</i>	7	159	1
<i>Deferred tax assets</i>	8	20,644	14,355
<b>TOTAL NON-CURRENT ASSETS</b>		<b>190,489</b>	<b>177,321</b>
<b>CURRENT ASSETS</b>			
<i>Inventories</i>	9	157,789	140,020
<i>Trade and other receivables</i>	10	135,419	114,665
<i>Income tax receivables</i>	11	3,640	180
<i>Financial assets</i>	5	2,138	879
<i>Derivative financial instruments</i>	7	271	–
<i>Cash and cash equivalents</i>	12	102,219	100,187
<b>TOTAL CURRENT ASSETS</b>		<b>401,476</b>	<b>355,931</b>
<b>TOTAL ASSETS</b>		<b>591,965</b>	<b>533,252</b>
EQUITY AND LIABILITIES	Note	31 December 2010	31 December 2009
<b>EQUITY</b>			
<i>Share capital</i>	13	17,732	17,732
<i>Share premium reserve</i>		15,472	15,472
<i>Treasury shares</i>	13	–	(3,409)
<i>Translation reserve</i>		356	(3,654)
<i>Fair value reserve</i>	14	(503)	(374)
<i>Other reserves</i>	15	9,198	6,073
<i>Retained earnings</i>	15	54,071	58,113
<i>Net profit (loss) for the period</i>		16,996	36,857
<b>Total capital and reserves pertaining to the Group</b>		<b>113,322</b>	<b>126,810</b>
<i>Reserves pertaining to minority interests</i>		2,118	2,742
<i>Profit pertaining to minority interests</i>		445	649
<b>Total minority interests</b>		<b>2,563</b>	<b>3,391</b>
<b>EQUITY PERTAINING TO THE GROUP AND MINORITY INTERESTS</b>		<b>115,885</b>	<b>130,201</b>
<b>NON-CURRENT LIABILITIES</b>			
<i>Borrowings</i>	16	60,315	90,962
<i>Severance and pension obligations</i>	17	17,881	17,184
<i>Provisions for risks and charges</i>	18	1,547	1,580
<i>Derivative financial instruments</i>	7	1,170	570
<i>Deferred tax liabilities</i>	8	11,601	12,118
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>92,514</b>	<b>122,414</b>
<b>CURRENT LIABILITIES</b>			
<i>Borrowings</i>	16	159,741	124,573
<i>Trade and other payables</i>	19	198,914	127,950
<i>Income tax liabilities</i>	11	9,965	12,250
<i>Provisions for risks and charges</i>	18	14,872	15,864
<i>Derivative financial instruments</i>	7	74	–
<b>TOTAL CURRENT LIABILITIES</b>		<b>383,566</b>	<b>280,637</b>
<b>TOTAL LIABILITIES</b>		<b>476,080</b>	<b>403,051</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>591,965</b>	<b>533,252</b>

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE CONSOLIDATED BALANCE SHEET ARE SHOWN IN NOTE 32 - RELATED-PARTY TRANSACTIONS.

## CONSOLIDATED INCOME STATEMENT

(THOUSANDS OF EUROS)

INCOME STATEMENT	Note	2010	2009
<b>REVENUES</b>	1	503,271	505,774
<i>Other revenues</i>	20	9,103	11,428
<i>- of which: effect of non-recurring items</i>	33	1,025	4,319
<b>OPERATING COSTS</b>			
<i>Change in work in progress, semifinished and finished goods</i>		(404)	(18,605)
<i>Change in inventory of raw, ancillary and consumable materials and goods for resale</i>		4,096	(1,985)
<i>Cost of raw, ancillary and consumable materials and goods for resale</i>		(174,394)	(141,591)
<i>Services, rentals and leases</i>	21	(113,787)	(101,265)
<i>Personnel costs</i>	22	(167,255)	(164,459)
<i>Depreciation and amortization expense</i>	23	(16,099)	(15,212)
<i>Provisions for risks and charges</i>		2,285	239
<i>Other operating costs</i>	24	(3,616)	(3,186)
<b>TOTAL OPERATING COSTS</b>		(469,174)	(446,064)
<i>- of which: effect of non-recurring items</i>	33	(3,998)	(3,788)
<b>OPERATING PROFIT</b>	1	43,200	71,138
<i>- of which: effect of non-recurring items</i>	33	(2,973)	531
<b>FINANCIAL INCOME AND EXPENSE</b>			
<i>Financial income</i>	25	8,688	11,636
<i>Financial expense</i>	26	(15,821)	(21,727)
<b>TOTAL FINANCIAL INCOME AND EXPENSE</b>		(7,133)	(10,091)
<b>PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>		233	14
<b>PROFIT (LOSS) BEFORE TAX</b>		36,300	61,061
<b>INCOME TAXES FOR THE YEAR</b>	27	(18,859)	(23,555)
<b>NET PROFIT FOR THE YEAR</b>		17,441	37,506
<b>ATTRIBUTABLE TO:</b>			
<b>PARENT COMPANY SHAREHOLDERS</b>		16,996	36,857
<b>MINORITY INTERESTS</b>		445	649
		17,441	37,506
<b>EARNINGS PER SHARE (in euros)</b>	28	0.50	1.09

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE CONSOLIDATED INCOME STATEMENT ARE SHOWN IN NOTE 32 - RELATED-PARTY TRANSACTIONS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(THOUSANDS OF EUROS)

	Note	2010	2009
<b>Net profit for the year</b>		17,441	37,506
<i>Exchange rate gains (losses) on the translation of foreign currency financial statements</i>		4,171	(368)
<i>Gains (losses) on financial assets available for sale</i>	14	–	3,909
<i>Gains (losses) on cash flow hedges</i>	14	(224)	(2,481)
<i>Tax effect</i>	14	95	18
Gains (losses) booked to equity		4,042	1,078
<b>Total comprehensive income for the year</b>		<b>21,483</b>	<b>38,584</b>
<b>Attributable to:</b>			
<b>Parent Company shareholders</b>		20,877	38,008
<b>Minority interests</b>		606	576
		<b>21,483</b>	<b>38,584</b>

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(THOUSANDS OF EUROS)

	Share capital	Share premium reserve	Treasury shares	Translation reserve	Fair value reserve	Other reserves	Retained earnings	Net profit of Group	Total Group equity	Minority interests	Total equity
<b>Balances at 01.01.2009</b>	17,732	16,382	(2,687)	(3,341)	(1,838)	21,502	30,465	41,811	120,026	2,904	122,930
Distribution of dividends	-	(910)	-	-	-	(17,117)	(5,088)	(7,387)	(30,502)	(342)	(30,844)
Allocation of earnings for 2008	-	-	-	-	-	1,688	32,736	(34,424)	-	-	-
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-	253	253
Purchase and sale of treasury shares	-	-	(722)	-	-	-	-	-	(722)	-	(722)
Total comprehensive income for the year	-	-	-	(313)	1,464	-	-	36,857	38,008	576	38,584
<b>Balances at 31.12.2009</b>	17,732	15,472	(3,409)	(3,654)	(374)	6,073	58,113	36,857	126,810	3,391	130,201
Distribution of dividends	-	-	-	-	-	-	-	(30,690)	(30,690)	-	(30,690)
Allocation of earnings for 2009	-	-	-	-	-	3,125	3,042	(6,167)	-	-	-
Purchase and sale to/from third parties of shares of subsidiaries	-	-	-	-	-	-	(7,219)	-	(7,219)	(1,781)	(9,000)
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	347	347
Purchase and sale of treasury shares	-	-	3,409	-	-	-	135	-	3,544	-	3,544
Total comprehensive income for the year	-	-	-	4,010	(129)	-	-	16,996	20,877	606	21,483
<b>Balances at 31.12.2010</b>	17,732	15,472	-	356	(503)	9,198	54,071	16,996	113,322	2,563	115,885

AS REGARDS THE ITEMS IN CONSOLIDATED EQUITY, SEE NOTES 13, 14 AND 15.

## CONSOLIDATED STATEMENT OF CASH FLOWS

(THOUSANDS OF EUROS)

	Note	31 December 2010	31 December 2009
<b>OPERATING ACTIVITIES</b>			
Net profit (loss) for the year		16,996	36,857
Adjustments for:			
- Depreciation and amortization	23	13,635	13,867
- (Writebacks) or writedowns of non-current assets	23	2,786	971
- Capital (gains) losses on disposal of non-current assets		32	(25)
- Changes in provisions for risks and charges and staff severance obligations		(6,930)	(914)
- Non-recurring items	33	2,687	(531)
- Unrealized losses (gains) on exchange rate differences	26	679	91
- Other non-monetary changes		21	114
- Adjustments to the value of financial assets	26	533	4,614
- Income taxes	27	18,859	23,555
- Minority interests		445	649
- Result from investments accounted for using the equity method		(233)	(14)
Operating profit (loss) before changes in working capital		49,510	79,234
(Increase) decrease in trade and other receivables		(11,850)	17,794
(Increase) decrease in inventories		(5,340)	20,909
Increase (decrease) in trade and other payables		39,704	(70,386)
Income taxes paid		(23,108)	(21,257)
<b>CASH FLOW GENERATED (ABSORBED) BY OPERATING ACTIVITIES (A)</b>		<b>48,916</b>	<b>26,294</b>
<b>INVESTING ACTIVITIES</b>			
Investments in property, plant and equipment	2	(8,632)	(4,852)
Investments in intangible assets	3	(6,418)	(6,463)
Exchange rate differences on property, plant and equipment and intangible assets		(1,239)	216
Acquisition of business divisions/companies	29	(9,092)	(2,638)
Purchase of minority interests	32	(9,000)	-
Purchase of equity investments		(885)	(4,304)
Repayment of finance lease debts		(703)	(1,115)
Sale of investments		-	459
Sale of non-current assets		7,311	46,059
Net change in financial assets and other non-current receivables		(1,468)	2,415
Changes in reserves pertaining to minority interests		161	124
<b>CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES (B)</b>		<b>(29,965)</b>	<b>29,901</b>
<b>FINANCING ACTIVITIES</b>			
Granting of loans	16	18,246	40,486
Repayment of borrowings	16	(43,362)	(37,628)
Increase (decrease) in other payables to banks		35,915	3,307
Dividends paid	13	(30,690)	(30,844)
(Purchase) and sale of treasury shares	13	3,544	(722)
Translation of financial statements in foreign currency		4,110	(313)
Payment of interest		(4,888)	(7,771)
Receipt of interest		206	1,111
<b>CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES (C)</b>		<b>(16,919)</b>	<b>(32,374)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)</b>		<b>2,032</b>	<b>23,821</b>
<b>CASH AND CASH EQUIVALENTS AT START OF YEAR (E)</b>	12	<b>100,187</b>	<b>76,366</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (F=D+E)</b>	12	<b>102,219</b>	<b>100,187</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH  
SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

## A) OVERVIEW

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The IMA Group designs, manufactures and sells machinery and plant mainly to the pharmaceutical, cosmetics and tea packaging industries.

The Parent Company of the IMA Group is I.M.A. Industria Macchine Automatiche S.p.A. (IMA, IMA S.p.A. or the Parent Company), with registered offices at Via Emilia 428/442, Ozzano dell'Emilia (Bologna). IMA is listed on the electronic stock exchange of Borsa Italiana S.p.A. in the S.T.A.R.

At 31 December 2010 SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A, owned by Lopam Fin S.p.A., held 71.517% of IMA S.p.A.

IMA S.p.A. dealings with the Group's manufacturing companies are mainly of a commercial nature, involving the purchase and sale of machines required for the assembly of complete product lines. It also provides these companies with services. IMA's dealings with the Group's marketing companies relate to the sale, distribution and related customer service activities in their respective territories of products manufactured by IMA's various divisions. IMA's manufacturing subsidiaries also have similar relationships with these marketing companies.

These financial statements for the year ended 31 December 2010 were prepared by the Board of Directors on 14 March 2011 for approval by the Shareholders' Meeting of 22 April 2011 and have been audited by PricewaterhouseCoopers S.p.A.

## B) GENERAL PREPARATION POLICIES

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### General principles

In compliance with Regulation (EC) no. 1606/2002, the consolidated financial statements were prepared in accordance with the IAS/IFRS International Accounting Standards issued by the International Accounting Standards Board (IASB) currently in force and endorsed by the European Commission and the related interpretations issued to date by the Standing Interpretations Committee and the International Financial Reporting Interpretations Committee (SIC/IFRIC).

The IMA Group adopted IFRS in 2005, whereas the Parent Company, I.M.A. S.p.A., adopted them for its separate financial statements from 1 January 2006, as permitted by Legislative Decree 38 of 28 February 2005.

The consolidated financial statements of the IMA Group have been prepared on a going-concern basis, since there are no significant doubts or uncertainties about its ability to continue in business for the foreseeable future.

### Financial statements

The balance sheet has been classified on the basis of the operating cycle, distinguishing between current and non-current items. With this distinction, assets and liabilities are considered current if they are expected to be realized or settled as part of the Group's normal operating cycle. Non-current assets held for sale and related liabilities, if any, are shown in the appropriate items

The costs and revenues for the year are presented in two statements: a consolidated income statement, which analyses costs according to their nature, and a consolidated statement of comprehensive income. The result deriving from discontinued assets and/or disposal groups, if any, is shown under an appropriate item of the consolidated income statement.

The statement of cash flows has been prepared using the indirect method for determining cash flows from operating activities. Under this method, the profit for the period is adjusted for the effects of non-monetary transactions, any deferral of operational collections and payments

already made, any accrued cash movements, the revenues or costs deriving from cash flows attributable to investment or financing activities.

The figures contained in the consolidated financial statements as of 31 December 2010 are expressed in thousands of euros, except where otherwise indicated.

## C) ACCOUNTING POLICIES AND PRINCIPLES

The most significant accounting policies are as follows:

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognised at purchase or construction cost, including directly attributable ancillary expenses.

Items of property, plant and equipment are depreciated each year on a straight-line basis over their estimated remaining useful life, as follows:

- Buildings from 30 to 40 years
- Plant and machinery from 5 to 10 years
- Equipment 4 years
- Other assets from 3 to 9 years

The residual value and the estimated useful lives of property, plant and equipment are reviewed at the end of each financial year, if not more frequently.

Land is not depreciated since it has an unlimited useful life.

Ordinary maintenance costs are expensed as incurred. Incremental maintenance expenditure is attributed to the assets concerned and depreciated over their residual useful lives.

Financial charges directly attributable to the purchase, construction or production of property, plant and equipment are recognized in the income statement as they are incurred, unless they refer to a "qualifying asset". The Group does not have any assets that require a certain period of time to prepare them for use (qualifying assets).

The carrying amount of property, plant and equipment is checked periodically for impairment losses, in the manner described in the section on impairment of assets.

### LEASES

Finance lease contracts are accounted for in accordance with IAS 17. As such:

- the cost of the leased assets is recognized under property, plant and equipment and depreciated on a straight-line basis over the assets' estimated useful life. The financial liability to the lessor is recognised for an amount equal to the value of the leased asset;
- the recognition of lease instalments separates the interest element from the principal, which deemed to represent repayment of the liability to the lessor.

Lease contracts under which the lessor retains substantially all of the risks and benefits of ownership are classified as operating leases, and the related instalments are charged to the income statement on a straight-line basis over the duration of the contract.

## INTANGIBLE ASSETS

Bought-in or internally produced intangible assets are recognized when it is likely that their use will generate economic benefits in the future and when their cost can be reliably determined. These assets are recognized at their purchase or production cost.

Intangible assets with finite useful lives are amortized each year on a straight-line basis over their estimated useful lives, as follows:

- industrial patents and intellectual property rights from 3 to 10 years
- Software, licences and similar rights 5 years
- Trademarks 10 years
- Development costs from 5 to 10 years

Assets with indefinite useful lives are not amortized but are tested for possible impairment on an annual basis, or more frequently if evidence suggests an impairment has occurred.

Research costs are charged to the income statement as soon as they are incurred. Development costs that qualify for capitalization as assets under IAS 38 (in relation to their technical feasibility, the intention and ability of the enterprise to complete, use or sell the assets, the availability of the resources required for the completion of the development project and the ability to measure the expenditure reliably) are generally amortized in relation to their future economic utility. Amortization begins from the moment the products become available for economic use.

The estimate of useful life is reviewed and adjusted to reflect changes in projected future utility.

Goodwill is the excess of the cost of a business combination over the Group's share of the net fair value of those purchased assets, liabilities and contingent liabilities that can be identified individually and recognized separately. Goodwill is an intangible asset with an indefinite useful life.

Goodwill is not amortized. It is allocated to the related cash-generating units (CGUs) and, pursuant to IAS 36 (Impairment of Assets), undergoes impairment testing annually, or more frequently if events or changed circumstances indicate a probable impairment of value. Subsequent to initial recognition, goodwill is recognized at acquisition price net of any accumulated impairment.

## IMPAIRMENT OF ASSETS

A tangible or intangible asset is impaired if its carrying value is greater than the amount that can be recovered from its use or sale. The impairment test required by IAS 36 ensures that tangible and intangible assets are not carried at a value exceeding their recoverable value, which is the higher of their net selling price or their value in use.

Value in use is defined as the present value of the future cash flows expected to be generated from the continuing use of an asset or by the related CGU. The present value of future cash flows is estimated using a pre-tax discount rate that reflects the current estimated market cost of borrowing, which is calculated in relation to the time value of money and the specific risks associated with the asset.

If the carrying amount exceeds recoverable value, the asset or CGU is written down to reflect such recoverable value. This impairment is charged to the income statement.

Impairment tests are carried out when factors internal or external to the company suggest that the value of an asset may have been impaired. In the case of goodwill or other intangible assets with an indefinite useful life, the impairment test must be carried out at least once each year.

If the conditions that led to an impairment cease to apply, the proportional reinstatement of the value of assets previously written down must not exceed the depreciated historical cost that would have been reported had such earlier impairment not been recognized. Writebacks are recognized in the income statement.

International accounting standards prohibit the reversal of impairment losses recognized in relation to goodwill.

## FINANCIAL ASSETS

According to IAS 39 financial assets are split into four categories: financial assets at fair value through profit and loss, investments held to maturity, loans and receivables, and financial assets available for sale.

The IMA Group holds available-for-sale securities and equity investments in other companies and financial receivables. Financial assets available for sale are measured at fair value and financial receivables are measured at amortised cost.

At 31 December 2010, the Group did not possess financial instruments at fair value through profit or loss or investments held to maturity.

## HEDGING INSTRUMENTS

The fundamental characteristics of financial instruments are described in the preceding section with regard to financial assets and in the section "Borrowings" with regard to financial liabilities. The Group mainly uses derivative financial instruments to hedge exchange rate and interest rate risk. The Group does not hold any speculative financial instruments, in accordance with the procedure approved by the Executive Committee.

Financial instruments are recognized under hedge accounting rules when:

- at the inception of the operation, the instrument is formally designated as a hedge and the hedging relationship is documented;
- the hedge is expected to be highly effective;
- the effectiveness can be reliably measured and the hedge itself remains highly effective throughout the designated periods.

The Group recognizes cash flow hedges when it is formally documented that they hedge fluctuations in the cash flows deriving from an asset, liability or highly probable forecast transaction (the hedged underlying) that could affect the income statement.

Hedging instruments are measured at their fair value at the date of designation.

The fair value of exchange rate derivatives is calculated with reference to their intrinsic value and their time value; the intrinsic element is recognised in the fair value reserve, whereas the time element is booked directly to income as financial income or expense. When the underlying element being hedged becomes manifest, the fair value reserve is removed and attributed to the carrying value of the underlying.

The fair value of interest rate derivatives is determined by their market value at the date of designation. This is recognized in the fair value reserve in equity and reversed to income when the event associated with the underlying financial expense/income occurs.

Changes in the fair value of instruments that do not satisfy the requirements for hedge accounting under IAS 39 are recognised in the income statement as financial expense/income.

## INVENTORIES

Inventories are booked at the lower of cost or their estimated net realizable value. Cost is determined using the weighted average cost method for raw, ancillary and consumable materials and semi-finished products, whereas actual cost is used for other inventory items.

## CONSTRUCTION CONTRACTS

Construction contracts are defined in IAS 11 as a contract specifically negotiated for the construction of an asset or a group of interrelated assets, having regard for their design, technology, function or final use.

Contract costs are recognized in the year they are incurred.

Contract revenues are recognized on a stage-of-completion basis at the reporting date, if the outcome of the construction contract can be estimated reliably.

If the outcome of a construction contract cannot be estimated reliably, revenues are recognized only to the extent of the contract costs incurred that are likely to be recovered.

Expected losses on a construction contract are recognized as an expense as soon as it becomes probable that total contract costs will exceed total contract revenues.

Revenues from contract work are recognised on a stage-of-completion basis applying the "cost-to-cost" method, which involves establishing the proportion of costs incurred on work performed to date with respect to the estimated total costs of the contract.

Construction contracts are reported in the balance sheet as follows:

- the amount due from customers is classified among Trade receivables if the costs incurred plus recognized margins (less recognized losses) exceed the advances received;
- the amount due to customers is classified among Advances if the advances received exceed the costs incurred plus recognized margins (less recognized losses).

## TRADE RECEIVABLES AND OTHER RECEIVABLES

Receivables falling due within a period considered to be normal commercial practice or which earn interest at market rates are not discounted. Such receivables are stated at their nominal value, net of any provision for doubtful accounts recorded in order to measure them at their estimated realizable value. Receivables falling due beyond a period considered normal commercial practice and not earning explicit interest are recognized at amortized cost using the effective interest rate method, net of any related impairment losses.

Receivables sold without recourse are derecognized since, in substance, all the related risks and rewards have been transferred to the purchaser.

## CASH AND CASH EQUIVALENTS

This item includes cash on hand, sight and short-term bank deposits with an original maturity of not more than three months.

## TREASURY SHARES

In accordance with IAS 32, treasury shares are classified separately as a direct deduction from shareholders' equity.

No gain or loss is recognized in income on the purchase, sale or cancellation of treasury shares.

Any consideration paid or received, including expenses directly attributable to such equity transactions, net of any related tax benefits, is recognized directly in equity.

## PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set aside to cover current, legal or constructive liabilities deriving from past events, the amount required for the settlement of which can be reasonably estimated at the end of the period.

No provisions are recorded if a liability is considered to be merely potential, although suitable disclosure is provided in the notes to the financial statements.

## EMPLOYEE BENEFITS

Employee benefits mainly include the staff severance pay of the Group's Italian companies and pension funds.

Law no. 296 of 27 December 2006 (the 2007 Finance Act) introduced significant changes concerning the allocation of the severance indemnity provision. Until 31 December 2006 the severance indemnity system was treated as a defined benefit plan and was measured under IAS 19 using the projected unit credit method applied by independent actuaries. This calculation involved estimating the amount of the benefit that an employee would receive at the projected date of termination of employment using demographical and financial assumptions. The amount calculated was discounted and reapportioned, based on the seniority accrued compared with the expected total, in order to make a reasonable estimate of the benefits already accrued by each employee for services rendered. Actuarial gains and losses arising from changes in the actuarial assumptions used were recognised in the income statement.

Following the reform of the supplementary pension system, the portion accrued from 1 January 2007 is treated as a "defined-contribution plan". Specifically, the changes give workers a choice in how their accruing severance entitlement will be allocated. In companies with more than 50 employees, the employee may choose to put new severance indemnity contributions towards the supplementary pension scheme of his or her choice, or to keep them in the company and transfer them to the National Social Security Institute (INPS).

As a result of the reform of the supplementary pension scheme, the Group calculates the actuarial value of severance pay accrued before 2007 without including future pay increases. The portion accrued is treated as a defined contribution plan.

## BORROWINGS

IAS 39 distinguishes between financial liabilities measured at fair value with changes recognised through profit or loss and changes and financial liabilities measured at amortised cost.

The Group's loans are measured at amortised cost using the effective interest method.

At 31 December 2010 the IMA Group does not have financial liabilities at fair value through profit or loss.

## GOVERNMENT GRANTS

Government grants are recognized when it becomes reasonably certain that the Group will comply with all the conditions established for receipt of the grants, and that such grants will actually be received.

## TAXES

Income taxes include current and deferred taxes. Income taxes are generally recognized in profit or loss except when they regard items recognized directly in equity. In this case, the related income taxes are also recognized in equity.

Current taxes are taxes which are expected to pay based on the taxable income for the year using the tax rate applying at the reporting date.

Deferred tax liabilities are calculated by applying the liability method to temporary differences between the value of consolidated balance sheet assets and liabilities and the corresponding values recognized for tax purposes. Deferred taxes are determined using the tax rate which is expected to apply when the assets are realized or the liabilities settled.

Deferred tax assets are recognized only when it is probable that taxable income in future years will be sufficient to realize them.

Deferred tax assets and liabilities are offset only when there is a legal entitlement to do this and when they relate to taxes due to the same tax authority.

## REVENUE RECOGNITION

Revenues are recognised to the extent that the economic benefits are likely to be obtained and the amount concerned can be determined reliably. Revenues relating to the sale of products are recognized at the moment title passes, which generally coincides with shipping. The only exception relates to revenues from construction contracts which, as explained above, are recognized on a percentage-of-completion basis.

## DISCONTINUED OPERATIONS/DISPOSAL GROUPS

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered essentially through disposal rather than through continued use. These assets are measured at the lower of their carrying amount or their fair value, net of selling costs.

Assets and liabilities held for sale are classified separately from other assets and liabilities in the balance sheet. The results from discontinued operations are reported separately in the income statement, net of the tax effect.

## TRANSLATION OF FOREIGN CURRENCY BALANCES

### Functional and presentation currency

The balance sheets, income statements and statements of cash flows of Group companies are prepared using the currency of the primary economic environment in which they operate (functional currency).

The consolidated financial statements are presented in euros, the Parent Company's functional and presentation currency.

### Transactions and balances

As required by IAS 21, amounts originally denominated in foreign currency are translated into the functional currency and are accounted for as follows:

- monetary items are translated at the spot exchange rate prevailing at the end of the period;
- non-monetary items recognized at historical cost are translated using the exchange rate prevailing at the time of the transaction;
- non-monetary items measured at fair value are translated using the exchange rate prevailing at the time the fair value was determined.

Exchange rate differences realized on the collection of receivables or the settlement of payables denominated in foreign currencies are taken to the income statement.

### Group companies

The translation into euros of the financial statements of foreign companies included within the scope of consolidation is carried out by applying the current exchange rate at the closing date to balance sheet assets and liabilities, and the average exchange rates for the period to items in the income statement.

Exchange rate differences deriving from the translation of initial shareholders' equity at the rates current at the end of the period and from the translation of the income statement at the average exchange rates in the period are recognized as a separate component of equity called the translation reserve.

Goodwill arising from the acquisition of a foreign operation is accounted for as an asset of the foreign operation and translated at the spot exchange rate at the closing date of the financial statements, with differences being taken to the translation reserve.

The exchange rates recorded by the European Central Bank and used to translate the financial statements of foreign companies into euros are presented below:

Currency	2010		2009	
	Final exchange rate	Average exchange rate for the year	Final exchange rate	Average exchange rate for the year
US dollar	0.74839	0.75431	0.69416	0.71696
Pound sterling	1.16178	1.16571	1.12600	1.12241
Indian rupee	0.01673	0.01650	0.01492	0.01485
Thai baht	0.02489	0.02380	0.02084	0.02092
Chinese yuan	0.11335	0.11147	0.10168	0.10496
Japanese yen	0.00920	0.00860	0.00751	0.00767
Brazilian real	0.45092	0.42892	0.39820	0.36135

## DIVIDENDS

Dividends distributed to shareholders of the Parent Company are recognized as a liability in the consolidated financial statements in the period in which the dividend is approved by the Shareholders' Meeting.

## EARNINGS PER SHARE

Basic earnings per share are calculated as the ratio of Group net profit to the weighted average number of ordinary shares outstanding in the period.

## USE OF ESTIMATES

When preparing consolidated financial statements, management must use accounting principles and methods which, in some cases, require making difficult and subjective valuations and estimates based on past experience, and on assumptions that are deemed reasonable and realistic on a case-by-case basis, depending on the circumstances.

Application of these estimates and assumptions affects the amounts shown in the financial statements, namely the balance sheet, income statement and cash flow statement, as well as the explanatory notes.

Due to the uncertainty inherent in such assumptions and the conditions used for these estimates, the final results of the items for which estimates and assumptions were used may be different from those reported in the financial statements of the individual companies.

Items for which assessment calls for greater subjectivity on the part of management when preparing estimates and for which a change in the conditions underlying the assumptions used can have a significant impact on the Group's consolidated financial statements are goodwill and impairment adjustments to non-current assets. The parameters used when making estimates are discussed in the notes to the consolidated financial statements.

Estimates and assumptions are reviewed regularly and the effects of any changes are immediately reflected in the income statement.

## SEGMENT INFORMATION

The segment information presented by the Group is divided into the tea, coffee and herbal tea packaging segment, the pharmaceutical processing segment and the pharmaceutical packaging segment on the same basis as the periodic reporting used by top management to allocate resources to each segment and assess performance.

## APPLICATION OF ACCOUNTING STANDARDS

The process of developing and approving international accounting standards means that certain documents are being constantly revised. The principal documents already endorsed by the EU legislator and applied by the Group with effect from 1 January 2010 are the updated version of IFRS 3 Business Combinations and the amendment to IAS 27 Consolidated and Separate Financial Statements.

The principal amendments to IFRS 3 concern the valuation of assets and liabilities in a business combination achieved in stages and the expensing of all other costs associated with the acquisition. For the impacts on the 2010 financial statements, see the comments in the notes to the consolidated financial statements.

The amendment to IAS 27 establishes that changes in a minority shareholding that do not alter the control over the subsidiary shall be booked to equity.

Lastly, the effects of the approved standards and interpretations not yet endorsed by the EU have been considered, without identifying any potential significant effects on the economic or financial position of the Group.

## D) FINANCIAL RISK MANAGEMENT

### RISK FACTORS

The Group is exposed to financial risks connected with its business activities, particularly the following:

- Credit risk, arising from commercial transactions or financing activities;
- Liquidity risk, related to the availability of financial resources and access to the credit market;
- Market risks, specifically:
  - a) Exchange rate risk, relating to operations in areas using currencies other than the functional currency;
  - b) Interest rate risk, relating to the Group's exposure to interest-bearing financial instruments;
  - c) Price risk, associated with changes in the listed price of equity instruments held as financial assets and in commodity prices.

### CREDIT RISK

The Credit Management unit is responsible for the operational management of these risks. It is centralized within the Administration, Finance and Control department and applies a credit policy that governs:

- the assessment of the customer's credit standing, taking into account the corporate and country credit rating when allowing extended payment terms, including positions backed by adequate bank or insurance guarantees;
- monitoring the related expected cash flows;
- appropriate payment solicitation actions;
- recovery actions.

Percentage writedowns are made on past due positions, based on historical insolvency information, except for any writedowns of specific receivables.

Financing activities are primarily directed towards Group companies and thus are not considered to be at risk.

Sureties and other non-bank guarantees are given solely on behalf of wholly-owned subsidiaries to back loans and financing extended by banks or commitments to pay lease instalments.

In the case of financing activities linked to temporary excess liquidity or of the use of financial instruments (derivatives), the Group operates solely with counterparties with high credit standing.

The Group's maximum theoretical credit risk exposure at 31 December 2010 is represented by the carrying amount of the financial assets stated in the financial statements, and by the nominal value of the guarantees given as described in Note 30.

### LIQUIDITY RISK

Current difficult conditions in the financial markets make it fundamentally important to maintain adequate liquidity available to meet Group requirements.

The two main factors that determine the Group's liquidity position are, on the one hand, the resources generated or absorbed by operating or investment activities, and on the other, the maturity and renewal characteristics of the debt or the liquidity of the financial instruments used and market conditions.

The treasury units of the individual companies are responsible for managing this risk, based on the guidelines set out by the Finance department, under the coordination of the Parent Company's treasury unit.

The Group has adopted a series of policies and processes designed to optimise the management of financial resources, thus reducing liquidity risk. These include:

- maintaining an adequate level of available liquidity;
- obtaining sufficient lines of credit;
- monitoring forecast liquidity conditions in relation to the corporate planning process.

With regard to this type of risk, the Group tends to configure its net debt by financing investments with medium/long-term loans, while meeting current commitments out of the cash flow generated by operations and by using short-term lines of credit.

The following tables shows the composition and maturity of financial and trade payables and commitments (thousands of euros):

	Within 1 year	From 1 to 5 years	Over 5 years	Total
<b>31.12.2010</b>				
Borrowings	159,741	60,315	–	220,056
Commitments	12,760	39,454	58,490	110,704
Trade payables	114,497	–	–	114,497
<b>Total</b>	<b>286,998</b>	<b>99,769</b>	<b>58,490</b>	<b>445,257</b>
<b>31.12.2009</b>				
Borrowings	124,573	80,695	10,267	215,535
Commitments	11,747	33,279	55,494	100,520
Trade payables	73,218	53	–	73,271
<b>Total</b>	<b>209,538</b>	<b>114,027</b>	<b>65,761</b>	<b>389,326</b>

Further information on the composition of the above items is presented in Notes 16, 19 and 31.

At 31 December 2010 the Group had about 149 million euros available in unused lines of credit (170 million euros at 31 December 2009) and cash and cash equivalents of 102 million euros (100 million euros at 31 December 2009).

As to the equilibrium of working capital, especially the coverage of payables to suppliers, net trade receivables came to 116 million euros at 31 December 2010 (101 million euros at 31 December 2009).

## MARKET RISK

### Exchange rate risk

The current business activities of Group companies whose functional currency is the euro and actively operate in markets outside the euro area are exposed to exchange rate risk, mainly with respect to sales in the US dollar area.

The Group's policy on exchange-rate risk provides for the use of forward contracts to hedge between 50% and 90% of future transactions denominated in foreign currencies, depending on whether they consist of budgeted flows of sales in foreign currencies or flows from the order book acquired.

Changes in exchange rates between the date of invoicing and the date of receipt of funds are managed separately, without recourse to hedge accounting, by offsetting against similar payment flows.

Group investments in foreign subsidiaries are not hedged since the foreign currency positions are considered to be long term.

The following tables contains an analysis of the effects of exchange-rate risk (thousands of euros):

	Carrying value	Of which subject to ERR	Exchange rate risk (ERR)			
			+ 5% €//\$		- 5% €//\$	
			Profits (Losses)	Other changes in FVR	Profits (Losses)	Other changes in FVR
<b>Financial assets:</b>						
Cash and cash equivalents	102,219	21,263	1,030	-	1,119	-
Trade and other receivables	135,419	28,535	1,359	-	1,502	-
Available for sale and financial receivables	10,638	-	-	-	-	-
Derivative financial instruments	430	271	-	1,194	-	(1,320)
Tax effect			-	-	-	-
			<b>2,389</b>	<b>1,194</b>	<b>2,621</b>	<b>(1,320)</b>
<b>Financial liabilities:</b>						
Borrowings	220,056	13,403	598	187	(661)	(5)
Trade and other payables	198,914	21,906	1,043	-	(1,153)	-
Derivative financial instruments	1,244	54	-	225	-	(249)
Tax effect			-	-	-	-
			<b>1,641</b>	<b>412</b>	<b>(1,814)</b>	<b>(254)</b>
<b>Total increases (decreases) for 2010</b>			<b>4,030</b>	<b>1,606</b>	<b>807</b>	<b>(1,574)</b>
<b>Total increases (decreases) for 2009 (*)</b>			<b>(872)</b>	<b>-</b>	<b>965</b>	<b>-</b>

(\*) 2009 variability parameters: +/-5% €//\$

Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 16 and 19.

The variability parameters applied fall within the range of reasonably possible changes in the exchange rate, all other factors being equal.

The following tables show the breakdown by currency of trade and other receivables and payables at 31 December 2010 and 31 December 2009 (thousands of euros):

	Net trade receivables	Advances, taxes and other receivables	Trade payables	Advances received	Tax, employee and other payables
Euro	92,357	13,493	104,162	38,451	22,150
US dollar	17,009	607	3,286	11,518	2,122
Indian rupee	1,145	1,101	974	560	703
Pound sterling	253	54	603	-	393
Thai baht	451	1,005	438	108	112
Chinese yuan	3,425	1,853	4,224	650	1,120
Japanese yen	849	62	274	142	58
Other	79	129	536	-	114
<b>Total</b>	<b>115,568</b>	<b>18,304</b>	<b>114,497</b>	<b>51,429</b>	<b>26,772</b>

	Net trade receivables	Advances, taxes and other receivables	Trade payables	Advances received	Tax, employee and other payables
Euro	74,545	9,004	63,916	19,552	19,032
US dollar	18,237	492	3,161	3,134	2,654
Indian rupee	742	1,071	882	192	858
Pound sterling	267	207	1,339	216	412
Thai baht	1,681	587	775	50	205
Chinese yuan	5,004	744	2,892	301	1,384
Japanese yen	468	31	226	601	69
Other	-	39	80	-	26
<b>Total</b>	<b>100,944</b>	<b>12,175</b>	<b>73,271</b>	<b>24,046</b>	<b>24,640</b>

Note that, at 31 December 2010, financial receivables and financial assets available for sale are mainly denominated in euros.

#### Interest rate risk

In order to conduct its business, the Group raises financing from the market, borrowing primarily at floating interest rates, and is thus exposed to risks relating to rising interest rates.

The objective of interest rate risk management is to contain and stabilize the outflow of interest payments on mainly medium-term debt so as to achieve close correlation between the underlying and the hedging instrument.

Hedging, which is decided on a case-by-case basis, is arranged using derivative contracts, typically the purchase of caps and the sale of floors which, at a certain level, transform the floating rate into a fixed rate.

The following tables contains an analysis the effects of these risks (thousands of euros):

	Carrying value	Of which subject to IRR	Interest rate risk (IRR)			
			+ 10 bp on € IRR		- 10 bp on € IRR	
			Profits (Losses)	Other changes in FVR	Profits (Losses)	Other changes in FVR
<b>Financial assets:</b>						
Cash and cash equivalents	102,219	36,750 (**)	1,010	-	(1,010)	-
Trade and other receivables	135,419	-	-	-	-	-
Available for sale and financial receivables	10,638	-	-	-	-	-
Derivative financial instruments	430	423	(15)	129	19	(77)
Tax effect			(274)	-	273	-
			<b>721</b>	<b>129</b>	<b>(718)</b>	<b>(77)</b>
<b>Financial liabilities:</b>						
Borrowings	220,056	244,051 (**)	(164)	-	164	-
Trade and other payables	198,914	-	-	-	-	-
Derivative financial instruments	1,244	1,226	(3)	296	(11)	(315)
Tax effect			46	-	(42)	-
			<b>(121)</b>	<b>296</b>	<b>111</b>	<b>(315)</b>
<b>Total increases (decreases) for 2010</b>			<b>600</b>	<b>425</b>	<b>(607)</b>	<b>(392)</b>
<b>Total increases (decreases) for 2009 (*)</b>			<b>(272)</b>	<b>365</b>	<b>272</b>	<b>(379)</b>

(\*) 2009 variability parameters +/- 25 bp €/€

(\*\*) Annual average.

Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 16 and 19.

The variability parameters applied fall within the range of reasonably possible changes in the interest rate, all other factors being equal.

Exchange rate and interest rate risk management is carried out in line with the risk management policy approved by the Executive Committee of the Parent Company.

Price risk

The Group is exposed to price risk on investments in listed equity instruments classified in the financial statements as “available for sale”. The Group is not exposed to significant price risk in relation to commodities.

A 10% increase or decrease in share prices would result in an increase or decrease in the fair value reserve of 221 thousand euros.

## CAPITAL RISK MANAGEMENT

The Group manages capital with the goal of supporting its core business and optimising value for shareholders by maintaining an appropriate capital structure and reducing its cost.

The Group monitors its capital with reference to the gearing ratio, which is the ratio between its net debt (see Note 16) and its equity.

	2010	2009
Net debt (A)	113,513	113,434
Equity (B)	115,885	130,201
Total capital (A)+(B)=(C)	229,398	243,635
<b>Gearing ratio (A)/(C)</b>	<b>49%</b>	<b>47%</b>

## FAIR VALUE

A comparison of the book value of the financial instruments held by the Group and their value reveals no significant disparities, except for those discussed in Note 16 concerning applied research and technological innovation loans and other loans.

For information of the methods used to calculate fair value, refer to Note 5 concerning financial assets and to Note 16 concerning borrowings.

IFRS 7 lays down the following fair value hierarchy of inputs to be used in measuring the financial instruments shown in the balance sheet:

- Level 1: quoted prices in active markets;
- Level 2: inputs other than the quoted prices of Level 1 that are observable on the market, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are not based on observable market data.

The following table shows the assets and liabilities measured at fair value at 31 December 2010 and 31 December 2009 by fair value hierarchy level (thousands of euros):

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets available for sale	2,210	14	5,359	7,583
Derivative financial instruments	-	430	-	430
<b>Total assets</b>	<b>2,210</b>	<b>444</b>	<b>5,359</b>	<b>8,013</b>
Liabilities:				
Payables for acquisition	-	-	1,620	1,620
Derivative financial instruments	-	1,244	-	1,244
<b>Total liabilities</b>	<b>-</b>	<b>1,244</b>	<b>1,620</b>	<b>2,864</b>

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets available for sale	3,692	14	4,962	8,668
Derivative financial instruments	-	1	-	1
<b>Total assets</b>	<b>3,692</b>	<b>15</b>	<b>4,962</b>	<b>8,669</b>
Liabilities:				
Payables for acquisition	-	-	1,770	1,770
Derivative financial instruments	-	570	-	570
<b>Total liabilities</b>	<b>-</b>	<b>570</b>	<b>1,770</b>	<b>2,340</b>

During 2010, there were no transfers between the three levels of the fair value hierarchy laid down in IFRS 7.

## E) CONSOLIDATION PRINCIPLES

### Subsidiaries

Subsidiaries are companies for which the Parent Company has the direct or indirect power to govern their financial and operating policies so as to obtain benefits from their activities. Control is presumed to exist when the Group holds the majority of voting rights.

When defining control, potential voting rights that can be exercised or converted are also taken into consideration.

The financial statements of subsidiaries are consolidated on a line-by-line basis from the date on which control is acquired until the date such control ceases.

Under IFRS 3, the subsidiaries acquired by the Group are accounted for using the purchase method, which establishes that:

- purchase cost is the fair value of the assets sold, taking into account any equity instruments issued and liabilities assumed, plus any costs directly related to the purchase;
- the excess of purchase cost over the fair value of net assets attributable to the Group is accounted for as goodwill);
- should purchase cost be lower than the fair value of the subsidiary's net assets attributable to the Group, such difference is directly recognized in the income statement.

Payables and receivables and costs and revenues arising between the companies included within the scope of consolidation, as well as the effects of all significant transactions between them, are eliminated.

Specifically, gains not yet realized with third parties deriving from transactions between Group companies are eliminated, including those deriving from the valuation of inventories at the reporting date.

Minority (or "non-controlling") interests in equity and net profit are shown as separate items in the consolidated balance sheet and income statement, respectively.

#### Associated companies

Associates are companies over which the Group exercises significant influence, but does not have operational control.

Such influence is presumed to exist when the Group holds an interest of between 20% and 50% of voting rights. The consolidated financial statements include the share of the net profits and losses of associated companies, valued using the equity method, from the date on which significant influence begins until the date that it ends.

Profits and losses pertaining to the Group earned after the purchase of associates are recognized in the income statement.

Equity investments in associates are initially recorded at purchase cost. Any excess of purchase cost over the Group's proportional share of the fair value of the net assets acquired is included in the value of the investment.

#### Joint ventures

IAS 31 defines a joint venture as a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The standard requires the proportionate consolidation of joint ventures.

Under proportionate consolidation the financial statements of each investor report its share of the assets, liabilities, income and expenses reflected in the financial statements of the joint venture. Entities acquired or sold during the period are consolidated for the period in which joint control was exercised.

## F) SCOPE OF CONSOLIDATION

The consolidated financial statements at 31 December 2010 include the financial and operating information of IMA - Industria Macchine Automatiche S.p.A. (Parent Company) and of all the companies over which it exercises direct or indirect control.

The following events involving changes in the Group structure took place during first nine months of 2010:

- on 23 February 2010 IMA S.p.A. completed the purchase of the residual 1.48% interest in IMA Flavour S.r.l. and 5.5% interest in IMA Life S.r.l. at a cost of 3,400 thousand euros and 5,600 thousand euros, respectively. For further information please read notes 15 and 32;
- on 1 July 2010 the Parent Company completed the acquisition of 100% of Naturapack S.r.l., a company based in Ozzano dell'Emilia (BO) that operates in the sale of used automatic machines, after refurbishing and regenerating them. This transaction is considered as being with related parties, as some of IMA S.p.A.'s directors and managers hold investments in the selling company. Reconta Ernst & Young S.p.A., in its role of independent expert, issued a

fairness opinion confirming that the purchase price was reasonable. The final purchase price was 6,086 thousand euros;

- on 27 July 2010, IMA S.p.A. completed the acquisition of 65% of GIMA, a packaging company situated in Zola Predosa (BO) that operates mainly in the food and beverage sector and in the personal care sector. In addition to the majority interest acquired by IMA, another stake, for a total of 21% of the share capital, was acquired by certain managers of IMA and of GIMA. The deal allows IMA to expand its presence in niche food segments that have good growth prospects.

In addition to the matters discussed previously, we would also mention the following transactions that took place during the year:

- in January 2010 IMA Safe S.r.l. exercised its option to buy the residual 10% of the Indian company, IMA-PG India Pvt Ltd for 1,368 thousand euros.
- on 28 January 2010 the Parent Company completed the acquisition of 32% di Logimatic S.r.l., a company based in Ozzano dell'Emilia (BO) that operates in the marketing, distribution and testing of automatic machines, for 239 thousand euros. The purpose of the investment is to enable the Group to take a stake in suppliers that are important for its own manufacturing operations;
- in April, IMA Edwards B.V., IMA Edwards S.r.l., IMA Edwards Japan KK, IMA Edwards Pharmaceutical Systems (Beijing) Co. Ltd., IMA Edwards Inc. and Precision Gears Ltd. changed their respective names to IMA Life The Netherlands B.V., IMA Life Italia S.r.l., IMA Life Japan KK, IMA Life (Beijing) Pharmaceutical Systems Co. Ltd., IMA Life North America Inc. and IMA-PG India Pvt. Ltd.;
- on 29 October 2010, the Parent Company acquired 30% of Bolognesi S.r.l., a company located in Dozza (Bologna) and active in the engineering and industrial assembly sector, for 450 thousand euros.

The companies included in the consolidation are listed below, with an indication of the consolidation method used:

**COMPANIES CONSOLIDATED  
LINE-BY-LINE**

	Registered office		Share capital at 31/12/2010	Direct investment	Indirect investment
<b>Industrial and service companies:</b>					
• I.M.A. Industria Macchine Automatiche S.p.A.	Ozzano E. (Bologna)	EUR	17,732,000	Parent Company	
• IMA Flavour S.r.l.	Ozzano E. (Bologna)	EUR	3,045,000	100%	–
• IMA Life S.r.l.	Ozzano E. (Bologna)	EUR	14,000,000	100%	–
• IMA Safe S.r.l.	Ozzano E. (Bologna)	EUR	3,000,000	100%	–
• CO.MA.D.I.S. S.p.A.	Senago (Milan)	EUR	1,540,000	–	100% (1)
• GIMA S.p.A.	Zola Predosa (Bologna)	EUR	1,000,000	65%	–
• Naturapack S.r.l.	Ozzano E. (Bologna)	EUR	100,000	100%	–
• Pharmasiensa Service S.r.l.	Siena (Siena)	EUR	100,000	–	70% (2)
• Zanchetta S.r.l.	Montecarlo (Lucca)	EUR	363,940	100%	–
• IMA Kilian GmbH & Co. KG.	Cologne (Germany)	EUR	3,600,000	–	100% (3)
• IMA Life The Netherlands B.V.	Dongen (Netherlands)	EUR	(*)22,382,654	–	100% (2)
• IMA Life North America Inc.	Tonawanda (USA)	USD	100	–	100% (4)
• IMA Life (Beijing) Pharm. Systems Co. Ltd.	Beijing (PRC)	USD	400,000	–	100% (2)
• IMA-PG India Pvt Ltd.	Mumbai (India)	RS	(*) 17,852,100	–	100% (1)
• Nova Packaging Systems Inc.	Leominster (USA)	USD	8,050,000	–	100% (4)
• PSH MKCS Inc.	Winterville (USA)	USD	50,000	–	100% (4)
• Swiftpack Automation Ltd.	Alcester (GB)	GBP	1,403,895	100%	–
• Tianjin IMA Machinery Co. Ltd.	Tianjin (PRC)	USD	200,000	100%	–
• Zibo IMA Xinhua Pharm.Co.Ltd.	Zibo (PRC)	USD	6,419,868	80%	–
<b>Commercial companies:</b>					
• IMA Est GmbH	Vienna (Austria)	EUR	280,000	100%	–
• IMA France E.u.r.l.	Rueil-Malmaison (France)	EUR	45,735	100%	–
• IMA Germany GmbH	Cologne (Germany)	EUR	90,000	100%	–
• IMA Iberica Processing and Packaging S.L.	Barcelona (Spain)	EUR	590,000	100%	–
• IMA Life Italia S.r.l.	Trezzano Naviglio (Milan)	EUR	80,000	–	100% (5)
• IMA Life Japan KK	Tokyo (Japan)	YEN	40,000,000	–	100% (5)
• IMA North America Inc.	Bristol (USA)	USD	2,500	–	100% (4)
• IMA Pacific Co. Ltd.	Bangkok (Thailand)	THB	(*) 40,219,000	99.99%	–
• IMA Packaging and Processing Equipment (Beijing) Co. Ltd.	Beijing (PRC)	USD	1,350,000	100%	–
• IMA UK Ltd.	Alcester (GB)	GBP	50,000	100%	–
• Imautomatiche Do Brasil Industria e Comercio de Maquinas Ltda.	Sao Paulo (Brazil)	BRL	3,909,560	99.99%	–
• Imautomatiche Lda.	Madeira (Portugal)	EUR	5,000	100%	–
<b>Other companies:</b>					
• IMA Kilian Verwaltungs GmbH	Cologne (Germany)	EUR	25,000	–	100% (3)
<b>Financial companies:</b>					
• Packaging Systems Holdings Inc.	Wilmington (USA)	USD	1,000	100%	–

(\*) The nominal share capital of IMA-PG India Pvt Ltd., IMA Life The Netherlands B.V. and IMA Pacific Co. Ltd. amounts to RS 20,000,000, Euro 45,400,000 and THB 100,000,000 respectively.

**Notes (details of investments):**

(1) Held by IMA Safe S.r.l.

(2) Held by IMA Life S.r.l. The percentage interest held in Pharmasiensa Service S.r.l. includes an option to purchase 19% of the share capital

(3) Held by IMA Germany GmbH

(4) Held by Packaging Systems Holdings Inc.

(5) Held by IMA Life The Netherlands B.V.

**INVESTMENTS ACCOUNTED FOR  
USING THE EQUITY METHOD**

	Registered office		Share capital at 31/12/2010	Direct investment	Indirect investment
• Amherst Stainless Fabrication LLC	Amherst NY (USA)	USD	1,100,000	–	20% (1)
• B.C. S.r.l.	Imola (Bologna)	EUR	36,400	30%	–
• Bacciottini F.lli S.r.l.	Oste Montemurlo (Prato)	EUR	60,000	30%	–
• Bolognesi S.r.l.	Dozza (Bologna)	EUR	10,920	30%	–
• Brio Pharma Technol. Pvt. Ltd.	Mumbai (India)	RS	1,000,000	30%	–
• Consorzio Servizi	Bologna	EUR	(2) 50,000	50%	–
• FID S.r.l. Impresa Sociale	Bologna	EUR	20,000	30%	–
• I.E.M.A. S.r.l.	S. Giorgio di Piano (Bologna)	EUR	10,400	30%	–
• LA.CO S.r.l.	Ozzano E. (Bologna)	EUR	30,000	30%	–
• Logimatic S.r.l.	Ozzano E. (Bologna)	EUR	12,500	32%	10.95%
• Masterpiece S.r.l.	Ozzano E. (Bologna)	EUR	10,000	30%	–
• Powertransmission.it S.r.l.	Castenaso (Bologna)	EUR	50,000	20%	–
• Scriba Nanotecnologie S.r.l.	Bologna	EUR	25,556	49%	–
• SIL.MAC. S.r.l.	Ceggio Montano (Bologna)	EUR	90,000	30%	3.20%
• Sirio S.p.A. Associazione in partecipazione (*)	Milan				

**Note:**

(1) Held by IMA Life North America Inc.

(2) Shares of the consortium fund

(3) Agreement signed in the last quarter of 2007 for the management of an aircraft

The consolidated financial statements at 31 December 2010 include the Group's share of the net profits and losses of companies valued using the equity method, from the date on which significant influence begins until the date when it ends.

**G) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

The changes reported below have been calculated on figures at 31 December 2009 for balance sheet items and on figures for the year 2009 for income statement items.

**1. SEGMENT INFORMATION**

Operating segments have been identified based on the internal reporting used by senior management to allocate resources and evaluate the results of each business.

The Group's activities comprise the following operating segments:

Tea, herbal tea and coffee packaging

Machines for the packaging of tea and herbal teas in filter bags and coffee in pods, and related services. Operations in this sector are mainly carried out by IMA Flavour S.r.l. and Naturapack S.r.l.

Pharmaceuticals packaging

Machines for the packaging of pharmaceutical capsules and tablets in blisters and bottles, machines for filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, machines for freeze-drying, machines for cartoning and end-of-line equipment, and related services.

Operations in this segment are mainly carried out by these companies:

- IMA S.p.A. manufactures end-of-line machines through IMA Safe line;
- IMA Life S.r.l. manufactures machines for the filling of bottles and vials with liquid products and powders under sterile and non-sterile conditions and freeze-drying systems;
- IMA Safe S.r.l. manufactures blister-pack machines, machines for the packaging of gelcaps, capsules and tablets and cartoning machines;

- CO.MA.D.I.S. S.p.A. manufactures tube-filling machines for the pharmaceuticals, cosmetics, chemicals and food industries;
- IMA Life The Netherlands B.V., IMA Life North America Inc. and IMA Life (Beijing) Pharmaceutical Systems Co. Ltd. manufacture freeze-drying plants for the pharmaceutical industry;
- Pharmasiena Service S.r.l. produces filling systems for vials and syringes under sterile conditions;
- IMA-PG India Pvt Ltd operates in the production of blister and cartoning machines, mainly for the emerging nations
- Swiftpack Automation Ltd. and Nova Packaging Systems Inc. manufacture machines for the bottling of capsules and tablets for the pharmaceutical industry.

#### Pharmaceuticals processing

Machines for the production of tablets and capsules, machines for coating and fluid bed granulators, and related services. Operations in this segment are mainly carried out by these companies:

- IMA S.p.A. manufactures tablet pressing machines, capsule filling machines, coating and granulating machines through the IMA Active division;
- Zanchetta S.r.l. manufactures machines for the movement of powders and depowdering of tablets and machines for the movement and granulation of pharmaceutical powders;
- IMA Kilian GmbH & Co. KG manufactures tablet pressing machines for the pharmaceuticals and chemicals industries;
- Zibo IMA Xinhua Pharmatech Co. Ltd. produces machinery for the pharmaceuticals processing industry, principally in emerging markets.

#### Other

Operations in this segment are mainly carried on by GIMA S.p.A., a newly acquired company, which operates principally in the food and beverage and personal care segment.

#### **ANALYSIS BY BUSINESS SEGMENT**

Information by business segment for 2010 is shown below (thousands of euros):

	Tea, coffee and herbal tea packaging	Pharmaceuticals packaging	Pharmaceuticals processing	Other	Total
Revenues	87,610	283,452	113,012	19,197	503,271
Segment operating profit	26,528	19,504	(3,104)	272	43,200
Net financial income (expense) (*)				(463)	(7,133)
Profit (loss) from investments accounted for using the equity method	-	-	-	233	233
Profit before tax					36,300
Income tax for the year					(18,859)
Net profit for the year					17,441

(\*) Financial income and expense have not been allocated to the individual operating segments, since it is not possible to indicate specific amounts for each segment; this breakdown is not used in internal reporting. The amount in the "Other" column relates to available-for-sale investments.

Information by business segment for 2009 is shown below (thousands of euros):

	Tea, coffee and herbal tea packaging	Pharmaceuticals packaging	Pharmaceuticals processing	Other	Total
Revenues	93,794	292,082	119,070	828	505,774
Segment operating profit	32,830	32,038	6,483	(213)	71,138
Net financial income (expense) (*)				(4,436)	(10,091)
Profit (loss) from investments accounted for using the equity method	-	-	-	14	14
Profit before tax					61,061
Income tax for the year					(23,555)
Net profit for the year					37,506

(\*) Financial income and expense have not been allocated to the individual operating segments, since it is not possible to indicate specific amounts for each segment; this breakdown is not used in internal reporting. The amount in the "Other" column relates to available-for-sale investments.

The following table gives a breakdown of revenues by business segment, with changes in revenues over the corresponding period of 2009 (thousands of euros):

	2010	2009	Change
Tea, coffee and herbal tea packaging	87,610	93,794	(6,184)
Pharmaceutical packaging	283,452	292,082	(8,630)
Pharmaceutical processing	113,012	119,070	(6,058)
Other	19,197	828	18,369
<b>Total</b>	<b>503,271</b>	<b>505,774</b>	<b>(2,503)</b>

Consolidated revenues in 2010 amounted to 503,271 thousand euros, a decrease of 0.5% with respect to the previous year.

Revenues by segment are discussed below:

- the tea, herbal tea and coffee packaging sector saw a slight reduction in revenues (-6.6%), turning in another good result after an excellent 2009, while retaining a strong positioning on its reference markets;
- the revenues of the pharmaceutical packaging sector fell by 3% as a result of fewer orders from the pharmaceutical market during the first part of the year;
- the pharmaceutical processing sector posted a decline in revenues of 5.1% as a result of fewer orders during the first part of the year
- the "other" sector is essentially constituted by GIMA S.p.A., a company acquired in 2010.

No single third-party customer accounts for 10% or more of consolidated revenues.

The following table shows operating profit by segment (thousands of euros):

	2010	2009	Change
Tea, coffee and herbal tea packaging	26,528	32,830	(6,302)
Pharmaceutical packaging	19,504	32,038	(12,534)
Pharmaceutical processing	(3,104)	6,483	(9,587)
Other	272	(213)	485
<b>Total</b>	<b>43,200</b>	<b>71,138</b>	<b>(27,938)</b>

The operating profit of the tea segment amounted to 26,528 thousand euros (30.3% of revenues) versus 32,830 thousand euros in 2009 (35.0% of revenues), due in part to the effect of non-recurring charges totalling 165 thousand euros versus non-recurring income of 893 thousand euros in 2009

The packaging sector saw a reduction in operating profit compared with the previous year due to lower volumes and less profitable contracts because of a less favourable mix and the sale of certain new products that are not yet earning their expected amount of margin.

The main reason for the slight reduction in the processing segment's operating profit is lower sales volumes, certain contracts with lower than average margins that penalized the 2010 result and non-recurring charges of 4,783 thousand euros, among which the writedown of goodwill of Zanchetta S.r.l. of 2,500 thousand euros and restructuring costs of the German subsidiary IMA Kilian GmbH & Co. KG of 1,794 thousand euros. Corrective measures will continue in 2011 to raise the profitability of the processing segment to the same level as the other pharmaceutical divisions.

The tables below provide other income statement information regarding Group operations by sector for 2010 and 2009 (thousands of euros):

	Tea, coffee and herbal tea packaging	Pharmaceuticals packaging	Pharmaceuticals processing	Other	Total
Amortization, depreciation, impairment and writedowns	1,564	8,696	5,548	613	16,421
Other non-monetary costs (revenues)	861	(399)	899	(5,421)	(4,060)

	Tea, coffee and herbal tea packaging	Pharmaceuticals packaging	Pharmaceuticals processing	Other	Total
Amortization, depreciation, impairment and writedowns	1,543	9,300	3,993	2	14,838
Other non-monetary costs (revenues)	1,285	3,895	2,085	(4)	7,261

The increase in depreciation, amortization, impairment and writedowns of the pharmaceutical processing segment is due primarily to the writedown of the CGU of Zanchetta S.r.l. of 2,500 thousand euros, as discussed in Note 3.

The change in other non-monetary costs in the various segments mainly reflects the utilisation of the provision for reorganization costs and of the reserve for obsolete and slow-moving stock, following the destruction of obsolete materials.

Balance sheet information at 31 December 2010 is shown below (thousands of euros):

	Tea, coffee and herbal tea packaging	Pharmaceuticals packaging	Pharmaceuticals processing	Other	Unallocated (*)	Total
Assets	57,586	228,834	125,178	38,339	130,925	580,862
Investments valued at equity	–	–	–	11,103	–	11,103
<b>Total assets</b>	<b>57,586</b>	<b>228,834</b>	<b>125,178</b>	<b>49,442</b>	<b>130,925</b>	<b>591,965</b>
Liabilities	37,419	118,595	44,852	32,741	242,473	476,080
Capital expenditure	7,980	6,952	5,719	2,026	–	22,677

(\*) Non-allocated assets and liabilities mainly relate to net financial liabilities, income tax receivables and payables and net deferred tax assets which cannot be divided exactly among the divisions reported.

Balance sheet information at 31 December 2009 is shown below (thousands of euros):

	Tea, coffee and herbal tea packaging	Pharmaceuticals packaging	Pharmaceuticals processing	Other	Unallocated (*)	Total
Assets	54,518	228,755	114,530	8,517	116,708	523,028
Investments valued at equity	–	–	–	10,224	–	10,224
<b>Total assets</b>	<b>54,518</b>	<b>228,755</b>	<b>114,530</b>	<b>18,741</b>	<b>116,708</b>	<b>533,252</b>
Liabilities	29,616	96,198	37,200	136	239,901	403,051
Capital expenditure	2,476	8,176	2,613	1	–	13,266

(\*) Non-allocated assets and liabilities mainly relate to net financial liabilities, income tax receivables and payables and net deferred tax liabilities which cannot be exactly divided along the divisions reported.

The increase in assets of the "other" sector reflect the acquisition of GIMA S.p.A. in July 2010 as mentioned in Note 29.

The increase in investments in the tea, coffee and herbal tea packaging segment and in the other segment reflect primarily goodwill booked after the purchase of Naturapack S.r.l. and GIMA S.p.A.

See Note 3 for the allocation of goodwill to the individual operating segments.

#### **ANALYSIS BY GEOGRAPHICAL AREA**

The revenues of the IMA Group are analysed below by geographical area (thousands of euros):

	2010	2009	Change
European Union (excluding Italy)	180,088	193,787	(13,699)
Other European countries	37,011	36,281	730
North America	72,765	76,403	(3,638)
Asia & Middle East	131,005	118,247	12,758
Other countries	40,337	44,117	(3,780)
<b>Total exports</b>	<b>461,206</b>	<b>468,835</b>	<b>(7,629)</b>
Italy	42,065	36,939	5,126
<b>Total</b>	<b>503,271</b>	<b>505,774</b>	<b>(2,503)</b>

Revenues are allocated based on the geographical area of the invoiced customer.

The changes in the breakdown of revenues by geographical area are discussed below:

- revenues from the EU, excluding Italy, fell despite the good performances by countries such as France, Belgium and Hungary.
- sales in other European countries are in line with the previous year;
- North America is showing a slight decline in revenues (-4.8%) with respect to the previous period. The trend in sales is still feeling the effects of the slowdown in that country, even if IMA's positioning continues to be strong, given that there is no real local competition;
- Asia and the Middle East showed strong growth of 12,758 thousand euros and now represents 25% of aggregate Group sales, confirming the trend in recent years. The progress being made in local economies is raising production standards closer to those of the West and as a consequence is generating demand for machinery more in line with what we can offer. We are able to respond to such requests very rapidly, strengthening our production capacity, especially in China and India.
- sales in other countries reflect a variety of trends with slight growth in Central and South America;
- the increase in Italy is due to a larger number of projects compared with the previous year. This variability year on year is normal as it depends on the investment plans of pharmaceutical companies, which are not stable, especially in a small market like Italy.

Non-current assets other than unallocated financial instruments and deferred tax assets of the IMA Group analyzed by geographical area are as follows (thousands of euros):

	31.12.2010	31.12.2009
Italy	88,868	83,879
European Union (excluding Italy)	40,670	40,442
North America	20,880	21,099
Asia & Middle East	16,254	16,326
Other countries	733	116
<b>Total</b>	<b>167,405</b>	<b>161,862</b>

Operations are allocated to the geographical areas in which they are located.

The higher level of assets in Italy compared with 2009 reflects the acquisition of Naturapack S.r.l. e GIMA S.p.A.

#### **REVENUES BY BUSINESS CATEGORY**

Lastly, the IMA Group's are revenues analyzed as follows by business category (thousands of euros):

	2010	2009	Change
Machines and change parts	235,080	251,941	(16,861)
Construction contracts	152,690	145,701	6,989
Spare parts	68,758	64,113	4,645
Technical assistance	36,017	33,244	2,773
Other services	10,726	10,775	(49)
<b>Total</b>	<b>503,271</b>	<b>505,774</b>	<b>(2,503)</b>

## 2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment decreased overall by 1,329 thousand euros compared with 31 December 2009. The changes during the year were as follows (thousands of euros):

	Land	Buildings and leasehold improv.	Plant and machinery	Industrial & comm. equipment	Other assets	Assets under construction and advances	Total
<b>Balances at 01.01.09</b>							
Gross amount	14,226	44,597	53,330	14,843	18,566	2,316	147,878
Accumulated depreciation and writedowns	(11)	(10,853)	(37,464)	(13,368)	(15,222)	-	(76,918)
Net amount	14,215	33,744	15,866	1,475	3,344	2,316	70,960
<b>Balances at 01.01.09</b>	<b>14,215</b>	<b>33,744</b>	<b>15,866</b>	<b>1,475</b>	<b>3,344</b>	<b>2,316</b>	<b>70,960</b>
Increases in the year	3	1,571	1,321	501	1,250	216	4,862
Sales and disposals	(9,791)	(2,6153)	(5,688)	-	(88)	-	(41,720)
Change in scope of consolidation	-	-	10	3	55	-	68
Depreciation	(1)	(1,248)	(2,723)	(580)	(1,483)	-	(6,035)
Reclassifications	373	718	113	21	3	(1,228)	-
Translation differences	9	-	(97)	(3)	(1)	-	(92)
<b>Balances at 31.12.09</b>	<b>4,808</b>	<b>8,632</b>	<b>8,802</b>	<b>1,417</b>	<b>3,080</b>	<b>1,304</b>	<b>28,043</b>
<b>Balances at 01.01.10</b>							
Gross amount	4,820	12,616	36,969	14,840	18,090	1,304	88,639
Accumulated depreciation and writedowns	(12)	(3,984)	(28,167)	(13,423)	(15,010)	-	(60,596)
Net amount	4,808	8,632	8,802	1,417	3,080	1,304	28,043
<b>Balances at 01.01.10</b>	<b>4,808</b>	<b>8,632</b>	<b>8,802</b>	<b>1,417</b>	<b>3,080</b>	<b>1,304</b>	<b>28,043</b>
Increases in the year	-	2,794	3,453	1,058	1,217	110	8,632
Sales and disposals	(3,181)	(4,107)	(893)	(56)	(125)	-	(8,362)
Change in scope of consolidation	573	1,379	22	92	871	-	2,937
Depreciation	(1)	(829)	(2,031)	(599)	(1,481)	-	(4,941)
Writedowns / Impairment	-	(286)	-	-	-	-	(286)
Reclassifications	373	819	97	107	(93)	(1,303)	-
Translation differences	16	125	395	59	96	-	691
<b>Balances at 31.12.10</b>	<b>2,588</b>	<b>8,527</b>	<b>9,845</b>	<b>2,078</b>	<b>3,565</b>	<b>111</b>	<b>26,714</b>
Gross amount	2,603	12,700	38,696	17,088	20,708	111	91,906
Accumulated depreciation and writedowns	(15)	(4,173)	(28,851)	(15,010)	(17,143)	-	(65,192)
<b>Balances at 31.12.10</b>	<b>2,588</b>	<b>8,527</b>	<b>9,845</b>	<b>2,078</b>	<b>3,565</b>	<b>111</b>	<b>26,714</b>

"Land" includes land in Ozzano dell'Emilia and Zola Predosa (BO) owned by IMA S.p.A. and GIMA S.p.A., for 1,587 thousand euros and 573 thousand euros respectively.

Buildings and leasehold improvements mainly comprise the buildings belonging to the Parent Company and to GIMA S.p.A., located in Italy, as well as buildings in France, the United Kingdom and India, which are owned by IMA France E.u.r.l., IMA UK Ltd. and IMA-PG Pvt. Ltd. Leasehold improvements amount to 4,353 thousand euros.

“Other assets” comprise (thousands of euros):

	31.12.2010	31.12.2009
Electronic office machines	1,327	1,314
Office furniture and fittings	762	846
Vehicles	743	724
Other	733	196
<b>Total</b>	<b>3,565</b>	<b>3,080</b>

Increases during the year mainly reflect the costs incurred to extend and upgrade existing buildings and plant, and to purchase machinery and electronic equipment.

Disposals during the period relate principally to the sale of the industrial complex in Calenzano (Florence) to third parties on 23 December 2010. The selling price of 8,400 thousand euros compares with a book value of 7,782 thousand euros. The transaction therefore generated a capital gain of 538 thousand euros, gross of the tax effect and net of expenses relating to the sale. At the same time, IMA S.p.A. signed an operating lease for this property with an annual leasing charge of 660 thousand euros. The operation forms part of the property spin-off plan that the Group has been implementing since mid-2009 to recover resources and continue growing through acquisitions.

The change in the scope of consolidation reflects the acquisition of GIMA S.p.A., as explained previously.

Writedowns/impairment are attributable to the transfer of IMA North America Inc. to the factory of Nova Packaging Systems Inc., as part of the rationalization of certain operating locations in the United States.

The reclassifications relate to two buildings of the Parent Company under construction in Via Nobel, Ozzano dell'Emilia (Bologna) which were completed during 2010.

The net book value of assets held under finance leases is broken down by category as follows (thousands of euros):

	31.12.2010	31.12.2009
Land	-	3,181
Buildings	-	3,934
Plant and machinery	-	627
Other assets	86	13
<b>Total</b>	<b>86</b>	<b>7,755</b>

At 31 December 2009 the figures mainly related to the contract for the lease of an industrial land and building in Calenzano (Florence), which was then sold during 2010 as previously discussed.

## 3. INTANGIBLE ASSETS

The changes in intangible assets during the year break down as follows (thousands of euros):

	Development costs	Industrial patent rights	Software licences, trademarks and similar	Goodwill	Assets under dev. and advances	Total
<b>Balances at 01.01.09</b>						
Gross amount	32,559	12,448	23,241	77,947	1,723	147,918
Accumulated amortization and writedowns	(7,856)	(7,626)	(15,049)	–	–	(30,531)
Net amount	24,703	4,822	8,192	77,947	1,723	117,387
<b>Balances at 01.01.09</b>	<b>24,703</b>	<b>4,822</b>	<b>8,192</b>	<b>77,947</b>	<b>1,723</b>	<b>117,387</b>
Increases in the year	–	514	2,848	524	3,101	6,987
Sales and eliminations	–	(12)	–	–	–	(12)
Acquisition of Pharmasiena S.r.l.	–	–	–	1,417	–	1,417
Change in scope of consolidation	–	–	–	656	–	656
Amortization	(4,264)	(937)	(2,631)	–	–	(7,832)
Writedowns/Impairment	(971)	–	–	–	–	(971)
Reduction in book value	–	–	–	(2,141)	–	(2,141)
Reclassifications	–	40	6	–	(46)	–
Translation differences	–	–	(19)	(105)	–	(124)
<b>Balances at 31.12.09</b>	<b>19,468</b>	<b>4,427</b>	<b>8,396</b>	<b>78,298</b>	<b>4,778</b>	<b>115,367</b>
<b>Balances at 01.01.10</b>						
Gross amount	31,373	12,963	26,063	78,298	4,778	153,475
Accumulated amortization and writedowns	(11,905)	(8,536)	(17,667)	–	–	(38,108)
Net amount	19,468	4,427	8,396	78,298	4,778	115,367
<b>Balances at 01.01.10</b>	<b>19,468</b>	<b>4,427</b>	<b>8,396</b>	<b>78,298</b>	<b>4,778</b>	<b>115,367</b>
Increases in the year	–	1,195	833	–	4,390	6,418
Sales and eliminations	–	(5)	(10)	–	–	(15)
Acquisition of GIMA S.p.A. and Naturapack S.r.l.	–	–	–	7,627	–	7,627
Change in scope of consolidation	1,236	94	2,106	–	590	4,026
Amortization	(4,429)	(1,095)	(3,170)	–	–	(8,694)
Writedowns/Impairment	–	–	–	(2,500)	–	(2,500)
Reclassifications	–	7	–	–	(7)	–
Translation differences	–	–	63	486	(1)	548
<b>Balances at 31.12.10</b>	<b>16,275</b>	<b>4,623</b>	<b>8,218</b>	<b>83,911</b>	<b>9,750</b>	<b>122,777</b>
Gross amount	43,281	14,340	29,162	83,911	9,750	180,444
Accumulated amortization and writedowns	(27,006)	(9,717)	(20,944)	–	–	(57,667)
<b>Balances at 31.12.10</b>	<b>16,275</b>	<b>4,623</b>	<b>8,218</b>	<b>83,911</b>	<b>9,750</b>	<b>122,777</b>

Development costs include 12,954 thousand euros of technologies related to freeze-drying plants for the pharmaceutical industry, booked after the acquisition of the Edwards Group in 2008 and allocated a useful life of 7 years.

The item also include the costs incurred by the Parent Company and by other Italian companies for new products not previously available and targeted at new market segments. The main projects are:

- coating systems based on Perfima perforated pans for 449 thousand euros;
- CA1 machines for packaging filter bags and coffee in pods for 563 thousand euros;
- biotechnology compacts for 1,194 thousand euros;
- projects for the food and beverage and personal care sectors for 1,007 thousand euros.

As also mentioned in the report on operations, research and development costs that do not meet the requirements for capitalisation were charged to profit and loss in the amount of 26,417 thousand euros (25,946 thousand euros in the previous period).

Industrial patents and intellectual property rights include costs incurred for the acquisition of rights deriving from applications for industrial patents, stated net of related amortization. The increase is primarily due to the expenses incurred for the extension and protection of patents in other countries.

Software, licences, trademarks and other rights primarily include operating and technical software applications as well as the non-compete agreement in connection with the purchases of IMA Life (Beijing) Pharmaceutical Systems Co. Ltd and GIMA S.p.A., valued respectively at 1.563 thousand of euros (amortized over 4 years) and at 1,791 thousand euros (amortized over 5 years).

Assets under development and advances mainly relate to the capitalization of development costs incurred by the Parent Company (2,043 thousand euros), IMA Life S.r.l. (3,946 thousand euros), IMA Safe S.r.l. (1,582 thousand euros), IMA Flavour S.r.l. (1,299 thousand euros) and GIMA S.p.A. (590 thousand euros).

Goodwill comprises the following (thousands of euros):

	31.12.2010	31.12.2009
Tea, coffee and herbal tea packaging:		
CGU Naturapack S.r.l.	6,005	na.
	<b>6,005</b>	<b>-</b>
Pharmaceutical packaging:		
CGU CO.MA.DI.S. S.p.A.	3,782	3,782
CGU B.F.B. S.p.A.	1,788	1,788
CGU Nova Group	12,815	12,367
CGU Precision Gears Ltd.	4,027	4,027
CGU Edwards Group	23,079	23,079
CGU MKCS Inc	522	484
CGU Pharmasiena Service S.r.l.	2,073	2,073
	<b>48,086</b>	<b>47,600</b>
Pharmaceutical processing:		
CGU G.S. S.r.l. Coating System	7,402	7,402
CGU ICO OLEODINAMICI S.p.A.	3,067	3,067
CGU IMA Kilian GmbH & Co. KG	14,790	14,790
CGU Zanchetta S.r.l.	2,939	5,439
	<b>28,198</b>	<b>30,698</b>
Other:		
CGU GIMA S.p.A.	1,622	na.
	<b>1,622</b>	<b>-</b>
<b>Total</b>	<b>83,911</b>	<b>78,298</b>

The goodwill recognized on the acquisitions of GIMA S.p.A. and Naturapack S.r.l. is discussed in Note 29.

As mentioned in the section on "Accounting policies", goodwill, which is an intangible asset with an indefinite useful life, is tested for impairment. The main assumptions, methods and parameters used in impairment testing are set out below.

The goodwill paid when acquiring companies, firms or business divisions is allocated to the cash generating units (CGUs) of the Group as represented by the individual companies or sub-groups to which they relate. Even if such companies had merged into the acquiring company after the acquisition and had thus lost their legal status, the Group organization into divisions makes it possible to identify the assets and the cash flows of said CGUs, and to check whether allocated goodwill is recoverable through the impairment test.

The recoverable value of the CGUs to which goodwill is allocated is tested by determining their value in use, as represented by the present value of expected cash flows discounted using a rate that reflects the risks specific to each CGU at the measurement date.

The formulas used to test impairment and to calculate the terminal value are as follows:

$$V = \frac{\sum_{i=1}^n FCF_i}{(1+WACC)_i} + TV$$

$$TV = \frac{FCF_n * (1+g)}{WACC - g}$$

*FCF* = Free Cash Flow, or cash flow generated by operations

*WACC* = Weighted Average Cost of Capital

*N* = Number of years in the discount period

*TV* = present value of the Terminal Value, i.e. the value of the cash flows generated after the end of the discount period

*FCFn* = Free Cash Flow sustainable after the end of the discount period

*g* = Growth rate of the business beyond the assumed period of the plan

The CGU's weighted average cost of capital (WACC) is used as the discounting rate, as determined from a detailed analysis of the capital structure of each CGU. The Capital Asset Pricing Model is used. This mathematical model determines the rate as the sum of the return on a risk-free asset and the market risk premium. In turn, the market risk premium is found by multiplying the market average risk by the beta for the specific sector. The principal assumptions underlying the application of this method involved estimating the future increases in sales, the gross margin, operating costs, the rate of growth of terminal values, capital investment, operating capital and the weighted-average cost of capital (discount rate). The cash flows are estimated on the basis of the 2011 budget and the 2012-2013 business plan; they are then discounted at rates that reflect current market valuations of the cost of capital taking account of the specific risk profile of each CGU.

The growth rate (*g*) used is zero for the sake of prudence; this means that any sensitivity analysis designed to measure the change in the results following a change in the assumptions used for this growth rate would lead to a lower level of impairment.

The table shows the detailed growth assumptions used in the forecasts and the discount rates applied in the impairment procedures:

	Goodwill	Average weighted cost of capital employed WACC %	CAGR 2010-2012 Sales %
CGU G.S. S.r.l. Coating System	7,402	8.41	4.00
CGU ICO OLEODINAMICI S.p.A.	3,067	8.41	4.00
CGU CO.MA.DIS. S.p.A.	3,782	9.41	2.30
CGU IMA Kilian GmbH & Co. KG	14,790	8.27	5.00
CGU Nova Group	12,815	9.41	4.30
CGU Precision Gears Ltd.	4,027	8.41	10.50
CGU Zanchetta S.r.l.	2,939	7.28	2.50
CGU Edwards Group	23,079	8.41	5.00
CGU Naturapack S.r.l.	6,005	8.41	5.00
CGU GIMA S.p.A.	1,622	8.29	15.60
CGU Pharmasiena Service S.r.l.	2,073	8.05	5.00

The assumptions used in calculating the impairment included in the business plan of each CGU and the results achieved have been approved by the Executive Committee and by the Board of Directors of IMA S.p.A.

The impairment tests of goodwill conducted in accordance with IAS 36 did not lead to any writedowns, except in the case of Zanchetta S.r.l., whose goodwill was calculated to be worth 2,500 thousand euros less than its book value.

It should also be noted that during 2005 and 2006 the goodwill relating to CGU IMA Kilian and Nova Group were written down by 3,200 thousand euros and 757 thousand euros respectively.

In 2009, the reduction in the book value of the goodwill that arose on the acquisition of the Edwards Group relates to the recognition of deferred tax assets after completion of the initial accounting treatment as a result of the partial discharge of tax liabilities in respect of goodwill.

The translation differences, showing a positive value of 548 thousand euros, mainly refer to the translation of Nova Group goodwill at the year-end spot exchange rate.

#### 4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Below is a breakdown (thousands of euros):

		31.12.2010	31.12.2009
Amherst Stainless Fabrication LLC	20%	165	n.a.
B.C. S.r.l.	30%	998	819
Bacciottini F.lli S.r.l.	30%	299	523
Bolognesi S.r.l.	30%	450	n.a.
Brio Pharma Technologies Pvt. Ltd.	30%	381	370
I.E.M.A. S.r.l.	30%	434	448
I.A.CO. S.r.l.	30%	293	313
Logimatic S.r.l.	30%	239	n.a.
Masterpiece S.r.l.	30%	-	3
Powertransmission.it S.r.l.	20%	16	10
Scriba Nanotecnologie S.r.l.	49%	787	686
SIL.MAC. S.r.l.	30%	262	304
Sirio Sp.A. Associazione in partecipazione (*)		6,748	6,748
Other investments		31	n.a.
<b>Total</b>		<b>11,103</b>	<b>10,224</b>

(\*) Amount paid in connection with the agreement signed in 2007 for the management of an aircraft.

See the section on the scope of consolidation and Note 32 for a discussion of Bolognesi S.r.l. and Logimatic S.r.l.

Amherst Stainless Fabrication LLC, which operates in mechanical processes and industrial assembly, was set up in December by IMA Life North America Inc.

Other investments include the 50% interest in Consorzio Servizi, a non-profit consortium between the Parent Company and a third-party company and the 20% interest in FID S.r.l. Impresa Sociale. The purpose of Consorzio Servizi is to provide IT and technology services to the members of the consortium. The purpose of FID S.r.l. Impresa Sociale is to carry out carpentry work and the assembly and mounting of mechanical components inside Bologna Prison.

The following table sets out the goodwill included in the carrying amount of the above equity investments at 31 December 2010 (thousands of euros):

	31.12.2010	31.12.2009
Bolognesi S.r.l.	429	n.a.
Bacciottini Flli S.r.l.	158	158
Brio Pharma Technologies Pvt. Ltd.	290	290
I.E.M.A. S.r.l.	295	295
LA.CO. S.r.l.	129	129
Logimatic S.r.l.	158	n.a.
Scriba Nanotecnologie S.r.l.	623	623
SIL.MAC. S.r.l.	131	131
<b>Total</b>	<b>2,213</b>	<b>1,626</b>

The following table summarizes the key financial data of associated companies at 31 December 2009 (thousands of euros):

	Assets	Liabilities	Revenues	Profit
B.C. S.r.l.	4,647	1,322	3,666	599
Bacciottini Flli S.r.l.	2,695	1,426	2,943	53
Bolognesi S.r.l.	2,623	1,484	2,463	390
Brio Pharma Technologies Pvt. Ltd. (*)	368	49	356	25
I.E.M.A. S.r.l.	2,485	2,023	3,910	(49)
LA.CO. S.r.l.	5,238	4,893	4,328	8
Logimatic S.r.l.	1,066	814	3,277	5
Masterpiece S.r.l.	1,172	1,227	434	(64)
Powertransmission.it S.r.l.	187	109	264	29
Scriba Nanotecnologie S.r.l.	523	191	373	(13)
SIL.MAC. S.r.l.	2,867	2,429	3,302	(139)

(\*) Financial statements at 31 March 2010

## 5. FINANCIAL ASSETS

The item breaks down as follows (thousands of euros):

	31.12.2010	31.12.2009
Non-current:		
· Investments in securities	14	14
· Financial receivables	2,172	1,021
· Investments in other companies	6,314	7,775
	<b>8,500</b>	<b>8,810</b>
Current:		
· Investments in securities	1,255	879
· Other cash equivalents	883	-
· Financial receivables	-	-
	<b>2,138</b>	<b>879</b>
<b>Total</b>	<b>10,638</b>	<b>9,689</b>

Non-current financial receivables relate to the lease contract stipulated by the German subsidiary IMA Kilian GmbH & Co. KG for its offices and plants in Cologne for 1,272 thousand euros (1,021 thousand euros at 31 December 2009) and to the loan granted by GIMA S.p.A. to FORUM S.p.A. for 900 thousand euros with maturity in 5 years, but also repayable in advance. Investments in other companies mainly include an interest in Pierrel S.p.A. and the shares in InterMedia Holding S.p.A. and InterMedia Finance S.p.A. At 31 December 2010 these investments amount to 2,210 thousand euros (3,692 thousand euros at 31 December 2009), 4,008 thousand euros (4,008 thousand euros at 31 December 2009) respectively. On 2 July 2010, the shares of InterMedia Holding S.p.A. were transferred to InterMedia Finance S.p.A.

In view of the strategic nature of these acquisitions for the IMA Group, these equity investments have been classified as financial assets available for sale and changes in their fair value are recognised in equity.

The value of the holding in Pierrel S.p.A. was determined with reference to the official stock market price on 30 December 2010. In March 2010, we sold 225,000 Pierrel S.p.A. shares for a total of 990 thousand euros at a price substantially in line with what they were worth at 31 December 2009. This means that the Group's holding is now below the materiality threshold of 5%; the Parent Company therefore reported this matter to Consob on a timely basis.

This investment was written down by 4,614 thousand euros during 2009, charged to financial expense, due to the significant and prolonged decline in the fair value of the investment. In 2010 the impairment was of 533 thousand euros.

On 7 December 2010, the Arbitration Board at the Chamber of National and International Arbitration of Milan settled the dispute between IMA and Mazzaro Holding S.r.l. by ascertaining the latter's breach of contract of 30 July 2007, establishing, among other things, the transfer to IMA of 876,000 share of Pierrel S.p.A., if IMA exercised its purchase option right, as IMA did in fact do, and sentencing Mazzaro Holding S.r.l. to pay damages to IMA.

While waiting to read the ruling, Mazzaro Holding S.r.l. notified IMA through its lawyers of the summons to appeal the arbitration award with a request for suspension of the award's effectiveness and of the appeal to suspend the effectiveness of the arbitration award.

The value of the investment in InterMedia Finance S.p.A., an unlisted company, corresponds to its purchase cost.

Other cash equivalents include bank deposits of IMA-PG India Pvt Ltd. with the original maturity of more than three months.

Investments in current securities are made up of quoted equity funds whose carrying amount is a reasonable reflection of their fair value.

Movements in the current and non-current financial assets break down as follows (thousands of euros):

	2010	2009
<b>Opening balance</b>	9,689	12,942
Increases	2,398	4,356
Effect of the valuation at fair value on equity	-	3,909
Impairment adjustment booked to the income statement	(533)	(4,614)
Change in scope of consolidation	21	2
Decreases	(949)	(6,906)
Exchange rate difference	12	-
<b>Closing balance</b>	<b>10,638</b>	<b>9,689</b>
Of which:		
Non-current financial assets available for sale	6,328	7,789
Current financial assets available for sale	2,138	879
Non-current financial receivables	2,172	1,021
Current financial receivables	-	-
<b>Total</b>	<b>10,638</b>	<b>9,689</b>

## 6. RECEIVABLES FROM OTHERS

These include various guarantee deposits.

## 7. DERIVATIVE FINANCIAL INSTRUMENTS

This item breaks down as follows (thousands of euros):

	Assets		Liabilities	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Interest rate hedging instruments:				
· Interest rate swap (non-current) cash flow hedges	159	1	1,170	570
· Interest rate swap (current) cash flow hedges	-	-	20	-
	<b>159</b>	<b>1</b>	<b>1,190</b>	<b>570</b>
Exchange rate hedging instruments:				
· Exchange rate hedging instruments (current)				
- cash flow hedges	271	-	54	-
	<b>271</b>	<b>-</b>	<b>54</b>	<b>-</b>
<b>Total</b>	<b>430</b>	<b>1</b>	<b>1,244</b>	<b>570</b>

### INTEREST RATE DERIVATIVES

The Group uses interest rate derivatives (cash flow hedges) to manage the risk of changes in the interest rates on borrowings from banks, transforming part of them from floating to a maximum fixed rate via the purchase of caps and the sale of floors.

At 31 December 2010, the amount of 159 thousand euros in assets and 1,190 thousand euros in liabilities represents the fair value of options arranged in 2010 and previous years with leading credit institutions to hedge interest rate risk; such options are linked to a portion of medium-term loans, maturing from 2011 to 2015, and hedging a nominal value of 68.7 million euros (47.5 million euros at 31 December 2009).

### EXCHANGE RATE DERIVATIVES

The Group uses exchange rate derivatives to hedge future cash flows (cash flow hedges). The exposure to exchange rate risk is managed with forward purchase and sale contracts denominated in the billing currency of certain markets in which the Group operates.

At 31 December 2010, the amounts of 271 thousand euros in assets and 54 thousand euros in liabilities represented the fair value of these derivative contracts. The notional amounts of these exchange rate hedges totalled 39.9 million US dollars (not present at 31 December 2009). All foreign currency derivatives at 31 December 2010 mature within 12 months.

## 8. DEFERRED TAX ASSETS AND LIABILITIES

At 31 December 2010 deferred tax assets mainly regard temporary differences in respect of provisions and the elimination of unrealized intercompany profits on sales of finished goods. Deferred tax liabilities mainly relate to temporary differences between the book values of certain property, plant and equipment and intangible assets and the related values recognized for tax purposes.

The tables below provide a breakdown by due dates and net changes for this item (thousands of euros):

	31.12.2010	31.12.2009
Deferred tax assets:		
· within 12 months	7,147	7,047
· after 12 months	13,497	7,308
	<b>20,644</b>	<b>14,355</b>
Deferred tax liabilities:		
· within 12 months	(3,858)	(3,122)
· after 12 months	(7,743)	(8,996)
	<b>(11,601)</b>	<b>(12,118)</b>
<b>Total</b>	<b>9,043</b>	<b>2,237</b>

	31.12.2010	31.12.2009
Net amount at the start of the year	2,237	(4,223)
Exchange rate difference	101	(57)
Change in scope of consolidation	4,334	-
Impairment adjustment to goodwill	-	2,141
Other changes	-	155
Credited / (Charged) to the income statement	2,276	4,203
Credited / (Charged) to equity	95	18
<b>Net amount at the end of the year</b>	<b>9,043</b>	<b>2,237</b>

The main components of deferred tax assets and liabilities are presented below, together with the changes with respect to the prior year (thousands of euros):

	Accrued to provisions	Losses carried forward	Amortiza- tion	Income (losses) from fair value	Finance lease	Other	Total
<b>Balances at 01.01.09</b>	9,792	1,394	(14,578)	(19)	(964)	152	(4,223)
Effect on the income statement	1,318	(135)	4,048	-	-	(1,028)	4,203
Effect on equity	-	-	-	18	-	-	18
Impairment adjustment	-	-	-	-	-	2,141	2,141
Other changes	-	-	6	1	148	-	155
Exchange rate difference	(47)	(12)	(2)	-	-	4	(57)
<b>Balances at 31.12.09</b>	<b>11,063</b>	<b>1,247</b>	<b>(10,526)</b>	<b>-</b>	<b>(816)</b>	<b>1,269</b>	<b>2,237</b>
Effect on the income statement	(2,071)	3,506	479	-	816	(454)	2,276
Effect on equity	-	-	-	95	-	-	95
Change in scope of consolidation	3,499	101	-	-	-	734	4,334
Other changes	-	-	-	-	-	-	-
Exchange rate difference	143	20	(40)	-	-	(22)	101
<b>Balances at 31.12.10</b>	<b>12,634</b>	<b>4,874</b>	<b>(10,087)</b>	<b>95</b>	<b>-</b>	<b>1,527</b>	<b>9,043</b>

The item Other mainly includes deferred tax liabilities on temporary differences between the book values and tax values of construction contracts, deferred tax assets relating to the elimination of unrealized intercompany profits and tax assets relating to the recognition of know-how arising on acquisition of the Edwards Group.

At the reporting date, the amount of carry forward tax losses and excess interest expense not yet used, for which the deferred tax asset has not been recognized in the balance sheet, was equal to 11,901 thousand euros (2,401 thousand euros at 31 December 2009). The amount at 31 December 2010 mainly includes carry forward tax losses and excess interest expense attributable to the newly acquired GIMA S.p.A., for which the recoverability is still being assessed.

## 9. INVENTORIES

Below is a breakdown (thousands of euros):

	31.12.2010			31.12.2009		
	Gross value	Impairment provision	Net value	Gross value	Impairment provision	Net value
Raw, ancillary and consumable materials	35,591	(6,639)	28,952	25,828	(5,125)	20,703
Work in progress and semifinished goods	147,871	(19,826)	128,045	138,210	(19,437)	118,773
Finished products and goods for resale	2,485	(1,693)	792	2,295	(1,751)	544
<b>Total</b>	<b>185,947</b>	<b>(28,158)</b>	<b>157,789</b>	<b>166,333</b>	<b>(26,313)</b>	<b>140,020</b>

The inventories attributable to GIMA S.p.A. and Naturapack S.r.l. amounted to 14,796 thousand euros at 31 December 2010. With the same scope of consolidation, the limited increase in inventories with respect to 31 December 2009 is thanks to Group management's careful policy of stock control introduced along with innovative production planning and better management of the supply network to reduce lead times.

During the period, the Group recognised provisions of 1,935 thousand euros (3,827 thousand euros in 2009) for the impairment of raw materials, work in progress and finished goods.

## 10. TRADE RECEIVABLES AND OTHER RECEIVABLES

This item breaks down as follows (thousands of euros):

	31.12.2010	31.12.2009
Trade receivables	115,568	100,944
Advances to suppliers	7,234	4,741
Tax receivables	7,023	5,082
Deferrals	1,547	1,546
Other receivables	4,047	2,352
<b>Total</b>	<b>135,419</b>	<b>114,665</b>

### TRADE RECEIVABLES

Trade receivables include customer receivables of 65,515 thousand euros (66,430 thousand euros at 31 December 2009), amounts due on construction contracts of 48,296 thousand euros (34,215 thousand euros at 31 December 2009) and trade receivables from associates of 1,757 thousand euros (299 thousand euros at 31 December 2009).

Trade receivables from customers are carried net of accumulated provisions amounting to 6,660 thousand euros (4,878 thousand euros at 31 December 2009).

The changes in the provision for doubtful accounts during the year are summarized below (thousands of euros):

	2010	2009
<b>Opening balance</b>	4,878	4,732
Effect to the income statement	(322)	374
Uses	(148)	(236)
Change in scope of consolidation	2,160	9
Exchange rate difference	92	(1)
<b>Closing balance</b>	<b>6,660</b>	<b>4,878</b>

Customer receivables falling due beyond 12 months amounted to 580 thousand euros (646 thousand euros at 31 December 2009). Payment extensions granted to customers who reside in countries with particular risks are guaranteed by suitable financial instruments to secure collection.

Receivables assigned without recourse that had not yet fallen due at 31 December 2010 amounted to around 19,641 thousand euros (20,338 at 31 December 2009) of which 18,109 thousand euros is assigned to factoring companies and 1,532 thousand euros to other financial institutions. The period saw the assignment without recourse of receivables with an overall nominal value of around 22,640 thousand euros (30,183 thousand euros in 2009). The requirements for derecognising these receivables in accordance with IAS 39 have been met.

Amounts due in respect of construction contracts, determined on a percentage-of-completion basis, are shown below net of advances (thousands of euros):

	31.12.2010	31.12.2009
Construction contracts (costs incurred plus recognized margins)	81,987	61,285
Advances received	(33,691)	(27,070)
<b>Due from customers</b>	<b>48,296</b>	<b>34,215</b>

Amounts due to customers (included in trade payables and advances received) in respect of construction contracts, determined on a percentage-of-completion basis, are shown below net of the related amounts due from customers (thousand of euros):

	31.12.2010	31.12.2009
Advances received	(15,065)	(36,027)
Construction contracts (costs incurred plus recognized margins)	7,796	35,253
<b>Due to customers</b>	<b>(7,269)</b>	<b>(774)</b>

Revenues from construction contracts in 2010 amounted to 152,690 thousand euros (145,701 thousand euros in 2009).

The composition by maturity is as follows (thousands of euros):

	Undue	Past due less than one year	Past due more than one year	Total
<b>31.12.2010</b>				
Receivables from customers (gross)	48,718	16,929	6,528	72,175
Provision for doubtful accounts	(925)	(389)	(5,346)	(6,660)
<b>Receivables from customers (net)</b>	<b>47,793</b>	<b>16,540</b>	<b>1,182</b>	<b>65,515</b>
<b>31.12.2009</b>				
Receivables from customers (gross)	52,279	14,406	4,623	71,308
Provision for doubtful accounts	(1,924)	(450)	(2,504)	(4,878)
<b>Receivables from customers (net)</b>	<b>50,355</b>	<b>13,956</b>	<b>2,119</b>	<b>66,430</b>

The high credit standing of our customers, largely multinationals, and the lack of any significant concentration of credit by type or geographic area, reduce credit risk and thus the provision for bad debt is sufficient.

#### ADVANCES TO SUPPLIERS

At 31 December 2010 these relate to advances paid to suppliers for inventory goods of 3,922 thousand euros (3,671 thousand euros at 31 December 2009) and services of 3,312 thousand euros (1,070 thousand euros at 31 December 2009).

This item also includes advances to associates of 1,119 thousand euros (1,228 thousand euros at 31 December 2009).

#### TAX RECEIVABLES

Tax receivables mainly consist of VAT recoverable. At 31 December 2010 the amount attributable to the newly acquired GIMA S.p.A. come to 2,294 thousand euros.

## 11. INCOME TAX RECEIVABLES AND PAYABLES

At 31 December 2010 income tax receivables and payables amount to 3,640 thousand euros and 9,965 thousand euros respectively (180 thousand euros and 12,250 thousand euros at 31 December 2009).

The following companies form part of the domestic consolidated taxation mechanism: IMA S.p.A., IMA Life S.r.l., IMA Safe S.r.l., IMA Flavour S.r.l., Zanchetta S.r.l. and CO.MA.DIS S.p.A. as consolidated companies and SO.FI.MA. S.p.A. as the consolidating company. At 31 December 2010, the IRES liability for SO.FI.MA. S.p.A. amounts to 6,424 thousand euros (8,672 thousand euros at 31 December 2009).

## 12. CASH AND CASH EQUIVALENTS

This item breaks down as follows (thousands of euros):

	31.12.2010	31.12.2009
Bank current accounts	92,064	94,747
Deposits	9,949	5,254
Cheques and cash	206	186
<b>Total</b>	<b>102,219</b>	<b>100,187</b>

At 31 December 2010 cash and cash equivalents include 4,725 thousand euros and 673 thousand euros attributable to GIMA S.p.A. and Naturapack S.r.l. respectively, companies not included in the scope of consolidation in the previous year.

For a better understanding of the changes in this balance, reference should be made to Note 16 on the composition of net financial debt.

## 13. SHARE CAPITAL AND TREASURY SHARES

	Shares in thousands	Share capital	Share premium reserve	Treasury shares
<b>Balance at 01.01.2009</b>	33,903	17,732	16,382	(2,687)
Purchase of treasury shares	(58)	-	-	(722)
Sale of treasury shares	-	-	-	-
Distribution of dividends	-	-	(910)	-
<b>Balance at 31.12.2009</b>	<b>33,845</b>	<b>17,732</b>	<b>15,472</b>	<b>(3,409)</b>
Purchase of treasury shares	-	-	-	-
Sale of treasury shares	255	-	-	3,409
<b>Balance at 31.12.2010</b>	<b>34,100</b>	<b>17,732</b>	<b>15,472</b>	<b>-</b>

Share capital at 31 December 2010 is represented by the share capital issued (fully subscribed and paid up) by the Parent Company, IMA S.p.A., comprising 34,100,000 ordinary shares with a par value of 0.52 euros each.

During 2010 the Parent Company sold 255,243 of its own shares for a total of 3,544 thousand euros with the result that at 31 December 2010 it did not hold any treasury shares. In 2009 the Parent Company purchased 57,508 treasury shares for 722 thousand euros. These transactions were recognized directly in equity in accordance with IAS 32.

The IMA's float comes to 13.921% at 31 December 2010, which is lower than the minimum required to stay in the STAR segment run by Borsa Italiana.

As mentioned in Note 35, the Parent Company's Extraordinary Shareholders' Meeting on 28 January 2011 resolved, among other things, to grant a mandate to the Board of Directors under Art. 2443 of the Italian Civil Code to carry out a divisible capital increase for consideration in one or more tranches.

The proposal to grant this power to the Board of Directors to approve increases in capital is also designed to expand the shareholder base with a consequent increase in the float.

For IMA to remain in the STAR segment, this operation to restore the minimum float will have to be completed by the end of the first quarter of 2011.

In May 2010, a total dividend of 30,690 thousand euros was paid, equal to 0.90 euros (gross) per ordinary share in circulation (30,502 thousand euros, equal to 0.90 euros (gross) in May 2009).

In the current year, the Board of Directors of the Parent Company IMA S.p.A. proposes to pay out a dividend of 0.90 euros (gross) per share. As this dividend is subject to approval of the Shareholders' Meeting, it was not recognized as a liability at 31 December 2010.

#### 14. FAIR VALUE RESERVE

At 31 December 2010 the fair value reserve includes the intrinsic component of the fair value of foreign exchange forward sale contracts and advances on export contracts in the amount of 268 thousand euros (not present at 31 December 2009) and interest rate swaps of -866 thousand euros (374 thousand euros at 31 December 2009).

During 2009, 3,909 thousand euros were charged to the income statement, equal to 3,977 thousand euros for the loss on the investment in Pierrel S.p.A. less 68 thousand euros on the sale of bond funds.

Changes in the fair value reserve are as follows (thousands of euros):

<b>Balance at 01.01.2009</b>	<b>(1,838)</b>
<i>Available for sale</i>	
Realization recognized in income - financial income and expense	3,909
Realisation recognised in income - tax effect	18
<i>Cash flow hedges/hedging instruments</i>	
Measurement at fair value	(692)
Changes in minority interests	18
Realization recognized in income - revenues	(1,268)
Realization recognized in income - financial income and expense	(521)
<b>Balance at 31.12.2009</b>	<b>(374)</b>
<i>Available for sale</i>	
Measurement at fair value	-
<i>Cash flow hedges/hedging instruments</i>	
Measurement at fair value	(695)
Fair value - tax effect	95
Realization recognized in income - revenues	-
Realization recognized in income - financial income and expense	471
<b>Balance at 31.12.2010</b>	<b>(503)</b>

#### 15. OTHER RESERVES AND RETAINED EARNINGS

Other reserves include retained earnings constituted mainly by the Parent Company's legal reserve.

The changes in retained earnings during the period include 7,220 thousand euros representing the difference between the book value of the minority interests in IMA Flavour S.r.l. and IMA Life S.r.l., and the price paid to acquire the residual holdings, as discussed further in Note 32.

**16. BORROWINGS**

These include payables to banks of 217,242 thousand euros (212,853 thousand euros at 31 December 2009) and payables to other lenders of 2,814 thousand euros (2,682 thousand euros at 31 December 2009).

**PAYABLES TO BANKS**

Payables to banks break down as follows (thousands of euros):

	31.12.2010	31.12.2009
Non-current:		
· Applied research and technological innovation loans	3,472	6,504
· Other loans	56,681	83,157
	<b>60,153</b>	<b>89,661</b>
Current:		
· Current accounts	19,870	8,363
· Advances on domestic transactions (Italy)	304	151
· Advances on export transactions	91,096	75,214
· Advances on export transactions to be carried out	846	-
· Applied research and technological innovation loans	2,108	2,268
· Other loans	42,865	37,196
	<b>157,089</b>	<b>123,192</b>
<b>Total</b>	<b>217,242</b>	<b>212,853</b>

*Applied research and technological innovation loans*

Repayments totalling 3,078 thousand euros were made by the Parent Company as they fell due during the year; no new loans were received.

*Other loans*

The principal variations in other loans regard new lending to the Parent Company for 15,000 thousand euros, to IMA Kilian GmbH & Co. KG for 3,000 thousand euros, to IMA Life Japan KK for 25 million yen and to contractual repayments by IMA S.p.A. for 26,295 thousand euros, IMA Life S.r.l. for 3,697 thousand euros, IMA Kilian GmbH & Co. KG for 9,668 thousand euros and PSH MKCS Inc. for 350 thousand euros.

Payables to banks are analyzed by maturity as follows (thousands of euros):

	31.12.2010	31.12.2009
Due within 1 year	157,089	123,192
Due from 1 to 5 years	60,153	79,394
Due after more than 5 years	-	10,267
<b>Total</b>	<b>217,242</b>	<b>212,853</b>

Applied research and technological innovation loans and other loans are analyzed below by currency (thousands of euros):

	31.12.2010	31.12.2009
Euro	104,634	128,639
US dollar	262	486
Japanese yen	230	-
<b>Total</b>	<b>105,126</b>	<b>129,125</b>

Applied research and technological innovation loans and other loans are backed by the following guarantees (thousands of euros):

	31.12.2010	31.12.2009
Guarantees issued by IMA Sp.A.	8,077	8,077
Guarantees issued by FN-VACCHI Sp.A.	–	47
<b>Total</b>	<b>8,077</b>	<b>8,124</b>

Certain loans and financings are guaranteed by compliance with certain financial covenants calculated on the following items in the Parent Company's financial statements and/or the Group consolidated accounts:

- ratio between net financial expense and EBITDA;
- ratio between net property, plant and equipment and shareholders' equity, minus dividends declared;
- minimum limits for shareholders' equity;
- ratio between net debt and shareholders' equity, minus dividends declared;
- ratio between net debt and EBITDA;
- ratio between EBIT and net financial expense.

The non-compliance with such covenants would constitute a material event for the purposes of calling in the related loans. At 31 December 2010, all covenant requirements had been met.

Interest rates on payables to banks are on average less than 3.5% (less than 3.5% in 2009).

The book value of advances on export transactions represents a good estimate of their fair value. For loans and other borrowings, the fair value calculated using the present value of future principal and interest flows, using the market rate based on the yield curve for government bonds as of the reporting date, would increase payables by around 2 million euros (3 million euros at 31 December 2009).

#### **PAYABLES TO OTHER LENDERS**

This item breaks down as follows (thousands of euros):

	31.12.2010	31.12.2009
Non-current:		
· Payables to leasing companies	72	1,301
· Other	90	–
	<b>162</b>	<b>1,301</b>
Current:		
· Payables to leasing companies	21	1,072
· Payables to factoring companies	999	297
· Other	1,632	12
	<b>2,652</b>	<b>1,381</b>
<b>Total</b>	<b>2,814</b>	<b>2,682</b>

At 31 December 2010, payables to other lenders reflect a financial debt of 1,540 thousand euros due by GIMA S.p.A. to FORUM S.p.A.

The total minimum future payments under finance leases at the reporting date are reconciled with their present value below (thousands of euros):

	Due within 1 year	Due from 1 to 5 years	Due after 5 years	Total
<b>Year 2009</b>				
Minimum payments of finance leases	1,145	1,335	–	2,480
Less future financial charges	(73)	(34)	–	(107)
<b>Present value of finance lease payables</b>	<b>1,072</b>	<b>1,301</b>	<b>–</b>	<b>2,373</b>
<b>Year 2010</b>				
Minimum payments of finance leases	25	77	–	102
Less future financial charges	(4)	(5)	–	(9)
<b>Present value of finance lease payables</b>	<b>21</b>	<b>72</b>	<b>–</b>	<b>93</b>

Note that at 31 December 2009 this item comprised the payable for the lease of the factory in Calenzano (Florence) for 2,373 thousand euros. During 2010, the Parent Company and Credemleasing S.p.A. terminated this contract in advance. The industrial complex was then sold to third parties, as discussed in Note 2.

#### **NET DEBT**

The breakdown of net debt is as follows:

	31.12.2010	31.12.2009
A. Cash and cash equivalents	(102,219)	(100,187)
B. Other cash equivalents	(883)	–
C. Investments in securities	(1,255)	(879)
<b>D. Liquidity (A)+(B)+(C)</b>	<b>(104,357)</b>	<b>(101,066)</b>
<b>E. Current financial receivables</b>	<b>–</b>	<b>–</b>
F. Current payables to banks	112,346	88,727
G. Current portion of non-current bank payables	44,743	34,465
H. Other current financial payables	2,652	1,381
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>159,741</b>	<b>124,573</b>
<b>J. Net current financial debt (D)+(E)+(I)</b>	<b>55,384</b>	<b>23,507</b>
K. Non-current portion of non-current bank payables	60,153	89,661
L. Non-current financial assets	(2,186)	(1,035)
M. Other non-current financial payables	162	1,301
<b>N. Non-current financial debt (K)+(L)+(M)</b>	<b>58,129</b>	<b>89,927</b>
<b>O. Net financial debt (J)+(N)</b>	<b>113,513</b>	<b>113,434</b>

The figure for non-current financial assets differs from that reported in the balance sheet as it does not include equity investments in other companies. For information on the breakdown of the items in net debt, see Notes 5 and 12.

Net debt at the end of the period amounted to 113,513 thousand euros, in line with the figure of 113,434 thousand euros at 31 December 2009, despite net investments related to the acquisition of shareholdings, including minority interests, and the sale of the building in Calenzano (Florence) for a total of 15 million euros.

In addition, IMA S.p.A. paid dividends of 30,690 thousand euros in May (30,502 thousand euros in May 2009).

## 17. SEVERANCE AND PENSION PROVISIONS

This item includes post-employment benefits valued actuarially by independent actuaries using the project unit credit method under IAS 19. It mainly comprises severance indemnity provisions recognised by the Group's Italian companies. The charge for the year has been accounted for under personnel costs.

The main demographic assumptions adopted by the actuary were:

- life expectancies: those determined by the State General Accounting Office (RG48 distinguished by gender);
- probability of disability: that in the INPS (National Social Security Institute) model for projections at 2010, distinguished by gender;
- pensionable age: the earliest retirement age possible under the Compulsory General Insurance scheme;
- probability of leaving work for reasons other than death: annual frequencies of 2.50%;
- probability of advance payments: an annual frequency of 5% for requests for advances of 60%.

Furthermore, the following financial assumptions were adopted in relation to the Italian companies:

	31.12.2010	31.12.2009
Annual discount rate	4.80%	5.00%
Annual inflation rate	2.00%	2.00%
Annual rate of increase of total compensation	3.50%	3.50%
Annual rate of increase of severance indemnity	3.00%	3.00%

The discount rate applicable to Italian companies was determined with reference to the iBoxx EUR Italy 10+ index.

The changes in the provisions during the year were as follows (thousands of euros):

<b>Balance at 01.01.2009</b>	17,848
Service cost	121
Interest cost	848
Net actuarial losses (gains) recognized during the year	340
Change in scope of consolidation	70
Severance payments made during the year	(2,028)
Exchange rate difference	(15)
<b>Balance at 31.12.2009</b>	<b>17,184</b>
Service cost	156
Interest cost	831
Net actuarial losses (gains) recognized during the year	311
Change in scope of consolidation	1,097
Severance payments made during the year	(1,758)
Exchange rate difference	60
<b>Balance at 31.12.2010</b>	<b>17,881</b>

The change in the scope of consolidation refers to GIMA S.p.A. and Naturapack S.r.l.

## 18. PROVISIONS FOR RISKS AND CHARGES

These provisions are analyzed as follows (thousands of euros):

	Balance at 31.12.2009	Increases	Decreases	Change in scope of consolidation	Exchange rate differences	Balance at 31.12.2010
Non-current:						
Agency termination indemnities	1,580	-	(564)	-	-	1,016
Other provisions	-	535	-	-	(4)	531
	<b>1,580</b>	<b>535</b>	<b>(564)</b>	<b>-</b>	<b>(4)</b>	<b>1,547</b>
Current:						
Product guarantee provision	12,039	1,238	(2,442)	390	332	11,557
Reorganization provision	3,768	60	(5,952)	3,240	54	1,170
Other provisions	57	1,211	(151)	1,025	3	2,145
	<b>15,864</b>	<b>2,509</b>	<b>(8,545)</b>	<b>4,655</b>	<b>389</b>	<b>14,872</b>
<b>Total</b>	<b>17,444</b>	<b>3,044</b>	<b>(9,109)</b>	<b>4,655</b>	<b>385</b>	<b>16,419</b>

The product guarantee provision was established on the basis of estimated expenses for work to be performed under guarantee after 31 December 2010.

The change in the scope of consolidation in the reorganization provision is attributable to GIMA S.p.A. These provisions were used in the second half of 2010 for 3,010 thousand euros. The reorganization of the newly acquired company is expected to be completed in 2011.

In addition to the above, the restructuring provisions were also utilized during the period by IMA North America Inc. and IMA Life The Netherlands B.V., as part of the reorganization and rationalization of IMA's operating locations in Europe and the United States.

Other provisions are made up of provisions for risks and charges made to cover tax liabilities or charges that might arise from contractual obligations.

## 19. TRADE PAYABLES AND OTHER PAYABLES

This item is analyzed as follows (thousands of euros):

	31.12.2010	31.12.2009
Trade payables	114,497	73,271
Advances from customers	51,429	24,046
Social security payables	6,216	5,993
Tax payables	3,520	4,067
Employee payables	15,488	14,801
Payables in respect of acquisitions	1,785	1,978
Other payables	5,979	3,794
<b>Total</b>	<b>198,914</b>	<b>127,950</b>

### TRADE PAYABLES

These include trade payables to suppliers of 95,730 thousand euros (62,647 thousand euros at 31 December 2009), agent payables of 6,208 thousand euros (6,466 thousand euros at 31 December 2009) and trade payables to associates of 12,559 thousand euros (4,158 thousand euros at 31 December 2009).

The increase in payables to suppliers compared with the previous year is mainly connected with the increase in inventories at year-end, and to GIMA S.p.A.'s contribution.

The increase in trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

**ADVANCES FROM CUSTOMERS**

The increase in advances from customers for uncompleted contracts with respect to 31 December 2009 is due mainly to the large volume of orders received at the reporting date. The amount is attributable to GIMA S.p.A. comes to 13,647 thousand euros.

**TAX PAYABLES**

Tax payables mainly consist of income tax withheld from employees' wages and salaries.

**PAYABLES IN RESPECT OF ACQUISITIONS**

This item includes:

- the residual amount due (272 thousand US dollars) on the acquisition of MKCS Inc. This amount is payable in April 2012;
- the estimated liability of 417 thousand euros for the purchase of an additional 19% interest in Pharmasiena Service S.r.l. The put option granted is exercisable in either April 2013 or April 2016;
- the residual amount due for the acquisition of Naturapack S.r.l. (1,000 thousand euros) was paid in February 2011;
- the payable of 220 thousand US dollars for the 20% interest in Amherst Stainless Fabrication LLC bought by IMA Life North America Inc., due in January 2011.

In January 2010 IMA Safe S.r.l. purchased the residual 10% of IMA-PG India Pvt. Ltd., for 1,368 thousand euros.

**20. OTHER REVENUES**

This item breaks down as follows (thousands of euros):

	2010	2009	Change
Capital gains on disposal of property assets	538	3,795	(3,257)
Tax credits on R&D costs incurred	437	524	(87)
Out-of-period income	939	2,714	(1,775)
Capitalization of internal construction costs	5,183	3,308	1,875
Other revenues and income	2,006	1,087	919
<b>Total</b>	<b>9,103</b>	<b>11,428</b>	<b>(2,325)</b>

With regard to the capital gains on the disposal of property complexes, which are considered non-recurring income, please refer to the comments in Notes 2 and 33.

The tax credits of 437 thousand euros (524 thousand euros in 2009) were booked by the Parent Company, IMA Safe S.r.l. and IMA Flavour S.r.l., for the research and development costs incurred in 2009. Further information on these non-recurring items is provided in Note 33.

The increase in capitalized internal construction costs refers to assets built in-house by the Parent Company and by certain Italian companies and by IMA Kilian GmbH & Co. KG for a total of 4,099 thousand euros in 2010 (3,094 thousand euros in 2009) and 1,084 thousand euros for equipment and machinery (214 thousand euros in 2009).

Other revenues and income of the year 2010 include 488 thousand euros relating to a government grant for technological innovation.

## 21. SERVICES, RENTALS AND LEASES

This item breaks down as follows (thousands of euros):

	2010	2009	Change
External works and assembly	21,805	21,083	722
Maintenance and repair	4,561	4,612	(51)
Energy, telephone, gas, water and postal charges	7,480	6,987	493
Fees due	11,570	10,720	850
Technical, legal, tax and administrative consulting services	20,667	18,075	2,592
Advertising and promotions	1,388	1,597	(209)
Exhibitions	1,806	2,087	(281)
Travel and insurance	14,653	11,879	2,774
Transport	7,687	6,382	1,305
Bank charges	1,061	914	147
Rent expense	9,492	6,622	2,870
Operating lease fees	354	310	44
Rental fees	1,374	1,382	(8)
Other services	9,889	8,615	1,274
<b>Total</b>	<b>113,787</b>	<b>101,265</b>	<b>12,522</b>

The costs attributable to GIMA S.p.A. and Naturapack S.r.l., which last year were not included in the scope of consolidation, amount to 5,197 thousand euros and 186 thousand euros respectively.

The increase in rent expense is mainly due to lease contracts signed at the same time as the property spin-off that began in 2009.

## 22. PERSONNEL COSTS

Personnel costs break down as follows (thousands of euros):

	2010	2009	Change
Wages and salaries	117,234	113,510	3,724
Social security contributions	28,930	27,247	1,683
Remuneration of directors	2,039	2,629	(590)
Pensions - defined-benefit plans	1,538	1,672	(134)
Pensions - defined-contribution plans	6,680	6,831	(151)
Reorganization charges	2,296	3,788	(1,492)
Other personnel costs	8,538	8,782	(244)
<b>Total</b>	<b>167,255</b>	<b>164,459</b>	<b>2,796</b>

Personnel costs include the reorganization charges for the rationalization and cost reduction programmes that will involve certain Group manufacturing companies in 2010. During 2010, 2,296 thousand euros mainly refer to IMA Kilian GmbH & Co. KG.

Personnel costs also include 4,978 thousand euros related to GIMA S.p.A. and Naturapack S.r.l. which last year were not included in the scope of consolidation.

In 2010, the IMA Group employed 3,129 people on average, as analyzed below:

	2010	2009	Change
Managers	96	97	(1)
Office workers	2,058	2,025	33
Production workers	975	1,013	(38)
<b>Total</b>	<b>3,129</b>	<b>3,135</b>	<b>(6)</b>

The personnel at the above companies which were not included in the scope of consolidation in 2009 amounted to 69 people.

### 23. DEPRECIATION AND AMORTISATION EXPENSE

This item breaks down as follows (thousands of euros):

	2010	2009	Change
Depreciation of property, plant and equipment	4,941	6,035	(1,094)
Amortization of intangible assets	8,694	7,832	862
Writedowns/Impairment	2,786	971	1,815
Provisions for bad debts	(322)	374	(696)
<b>Total</b>	<b>16,099</b>	<b>15,212</b>	<b>887</b>

The decrease in the depreciation of property, plant and equipment is partly due to the disposal of the property complexes in 2009.

Writedowns/impairment adjustments include 2,500 thousand euros related to the Zanchetta CGU, as mentioned in Note 3, and 286 thousand euros of writedowns of property, plant and equipment belonging to IMA North America Inc., as discussed in Note 2. In 2009, this item included the writedown of capitalised development costs relating to the Vortex granulators and Pegasus fluid-bed integrators.

### 24. OTHER OPERATING COSTS

Other operating costs comprise (thousands of euros):

	2010	2009	Change
Capital losses on disposal of property, plant and equipment	93	29	64
Local property tax and other taxes	1,185	902	283
Out-of-period expenses	646	812	(166)
Membership fees	361	331	30
Penalties and charges on sales	455	162	293
Sundry promotional materials	113	145	(32)
Other operating costs	763	805	(42)
<b>Total</b>	<b>3,616</b>	<b>3,186</b>	<b>430</b>

### 25. FINANCIAL INCOME

This item breaks down as follows (thousands of euros):

	2010	2009	Change
Interest income from banks	458	454	4
Interest income on amounts due from customers	100	244	(144)
Interest income from financial assets available for sale and other financial income	69	101	(32)
Income from non-current financial assets available for sale	70	178	(108)
Income from current financial assets available for sale	–	278	(278)
Income from derivative financial instruments	29	433	(404)
Exchange rate gains	7,962	9,948	(1,986)
<b>Total</b>	<b>8,688</b>	<b>11,636</b>	<b>(2,948)</b>

### 26. FINANCIAL EXPENSE

This item breaks down as follows (thousands of euros):

	2010	2009	Change
Interest expense on bank payables	5,296	6,427	(1,131)
Interest expense on discounting	123	125	(2)
Interest expense on finance leases	60	86	(26)
Writedown of non-current assets available for sale	533	4,614	(4,081)
Losses on current financial assets available for sale	–	88	(88)
Expense on bank guarantees	197	188	9
Expense from derivative financial instruments	188	78	110
Other interest and financial expense	378	374	4
Exchange rate losses	9,046	9,747	(701)
<b>Total</b>	<b>15,821</b>	<b>21,727</b>	<b>(5,906)</b>

The decrease in bank interest expense was mainly due to the reduction in interest rates and the lower level of debt during the year.

The writedown of non-current assets available for sale relates to the investment in Pierrel S.p.A. See Note 5 for further information.

At 31 December 2010, exchange rate gains and losses included an unrealized gain of 2,177 thousand euros and an unrealized loss of 2,856 thousand euros (1,604 thousand euros and 1,695 thousand euros, respectively, in the previous year).

## 27. INCOME TAXES FOR THE YEAR

The theoretical tax rate used to determine the income taxes of Italian companies is 27.5% of taxable income for the year. The income taxes of foreign companies are calculated using the tax rates applied in each country.

Below is a breakdown by income taxes (thousands of euros):

	2010	2009	Change
Income tax:			
Current taxes	21,135	27,758	(6,623)
Net deferred tax assets and liabilities	(2,276)	(4,203)	1,927
<b>Total</b>	<b>18,859</b>	<b>23,555</b>	<b>(4,696)</b>

The following companies form part of the domestic consolidated taxation mechanism: IMA S.p.A., IMA Life S.r.l., IMA Safe S.r.l., IMA Flavour S.r.l., Zanchetta S.r.l. and CO.MA.DI.S. S.p.A. as consolidated companies and SO.FI.MA. S.p.A. as the consolidating company.

The following table reconciles the tax charges with the book profits multiplied by the applicable tax rates (thousands of euros):

	2010	2009
<b>Result before tax</b>	<b>36,300</b>	<b>61,061</b>
<b>Taxes determined on the tax rate applicable in each country</b>	<b>11,483</b>	<b>16,776</b>
Tax effect of non-deductible costs	3,223	2,042
Prior year taxes	382	(707)
IRAP	4,741	4,910
Other	(970)	534
<b>Total</b>	<b>18,859</b>	<b>23,555</b>

During the first half of 2010, the Parent Company underwent a tax audit by the Emilia Romagna Regional Tax Office that covered IRES, IRAP, VAT and other minor taxes for the 2007 tax year, together with the earlier and later periods affected by transactions carried out in the reference year.

The tax audit was completed on 25 June 2010 with a report that proposed add-backs for the tax periods 2005, 2006 and 2007. The Emilia-Romagna Regional Tax Office issued an assessment for 2005 in December 2010. IMA S.p.A. has appealed against this assessment to the Provincial Tax Commission.

Income tax for the period includes the accrual made for estimated potential liabilities that could arise as a result of this audit.

**28. EARNINGS PER SHARE**

Basic earnings per share are calculated as the ratio of Group net profit to the weighted average number of ordinary shares outstanding during the year, as follows:

	2010	2009
Net profit for the year (thousands of euros)	16,996	36,857
Average number of outstanding ordinary shares (thousands of shares)	34,042	33,869
<b>Earnings per share (in euros)</b>	<b>0.50</b>	<b>1.09</b>

For the IMA Group, basic earnings per share and diluted earnings per share are the same.

**29. BUSINESS COMBINATIONS**

On 1 July 2010 the Parent Company completed the acquisition of 100% of Naturapack S.r.l., a company based in Ozzano dell'Emilia (Bologna) that is active in the sale of used automated machines, after refurbishing and regenerating them. This transaction is considered as being with related parties, as some of IMA S.p.A.'s directors and managers hold investments in the selling company.

The main provisional values for assets and liabilities at the acquisition date were as follows (thousands of euros):

	Total book values	Fair value
Property, plant and equipment and intangible assets	34	34
Goodwill	5,950	–
Other current assets	30	30
Inventories	1,366	1,366
Trade and other receivables	26	26
Cash and cash equivalents	196	196
Severance and pension provisions	(129)	(129)
Trade and other payables	(1,528)	(1,528)
<b>Total</b>	<b>5,945</b>	<b>(5)</b>
Purchase cost		6,000
<b>Goodwill</b>		<b>6,005</b>

The total cost of the acquisition, inclusive of the adjustment paid in 2011, amounted to 6,086 thousand euros.

Naturapack S.r.l. contributed 2,408 thousand euros in revenues and 953 thousand euros in operating profit to the IMA Group's results.

On 27 July 2010, IMA S.p.A. completed the acquisition of 65% of GIMA, a packaging company situated in Zola Predosa (Bologna) that operates mainly in the food and beverage and personal care segments. This transaction allows IMA to expand its presence in niche food segments that have good growth prospects.

The main provisional values for assets and liabilities at the acquisition date were as follows (thousands of euros):

	values	value
Intangible assets	4,011	4,011
Property, plant and equipment	2,910	2,910
Net deferred tax assets and other non-current assets	4,359	4,359
Inventories	11,063	11,063
Trade and other receivables	8,878	8,878
Net income tax receivables	2,485	2,485
Cash and cash equivalents	5,046	5,046
Financial payables	(7,067)	(7,067)
Severance and pension provisions	(998)	(998)
Provision for risks and charges	(4,625)	(4,625)
Trade and other payables	(25,070)	(25,070)
<b>Total</b>	<b>992</b>	<b>992</b>
Minority		347
Purchase cost		2,267
<b>Goodwill</b>		<b>1,622</b>

GIMA S.p.A. contributed 16,600 thousand euros in revenues and 800 thousand euros in operating profit to the IMA Group's results.

The initial accounting for these business combinations has been determined on a provisional basis, because the fair value of the assets, liabilities or contingent liabilities and the cost of the combinations have not yet been finalized. As required by IFRS 3, any adjustments will be made within twelve months of the acquisition date.

The total financial outlay for the acquisition of the companies amounted to 9,092 thousand euro.

The ancillary expenses related to the acquisition of Naturapack S.r.l. and GIMA S.p.A. booked to the income statement amount to 384 thousand euros.

### 30. GUARANTEES GRANTED

At 31 December 2010, the Group has granted sureties and other bank guarantees to customers in the amount of 14,423 thousand euros for the proper operation of machinery, bid bonds and advances not yet received, as well as sureties in favour of the municipality of Ozzano dell'Emilia (Province of Bologna), for 159 thousand euros as a performance guarantee, a surety in favour of the Revenue Office for VAT credits for 11,145 thousand euros and sureties in favour of others for 7,890 thousand euros, primarily as guarantees for rental contracts.

The Parent Company has also granted sureties and other guarantees (binding letters of patronage) to third parties on behalf of subsidiaries and associates, with respect to lines or credit or financing extended by banks and the payment of rental fees, as shown below (thousands of euros):

	31.12.2010	31.12.2009
GIMA S.p.A.	3,000	n.a.
IMA EST GmbH	800	800
IMA Flavour S.r.l.	12,900	12,750
IMA Iberica Processing & Packaging S.L.	250	250
IMA Kilian GmbH & Co. KG	66,475	61,637
IMA Life North America Inc.	509	472
IMA Life S.r.l.	17,350	14,350
IMA Life The Netherlands B.V.	4,500	4,500
IMA Pacific Co. Ltd.	847	725
IMA Packaging and Processing Equipment (Beijing) Co. Ltd.	262	243
IMA Safe S.r.l.	22,760	22,110
IMA UK Ltd.	500	–
IMA-PG India Pvt Ltd.	1,956	1,939
Masterpiece S.r.l.	1,000	–
Nova Packaging Systems Inc.	681	632
PSH MKCS Inc.	681	632
Scriba Nanotecnologie S.r.l.	31	31
Swiftpack Automation Ltd.	4,500	–
Zanchetta S.r.l.	4,325	4,325
<b>Total</b>	<b>143,327</b>	<b>125,396</b>

Guarantees totalling 78,900 thousand euros have also been granted to leading banks in relation to the lines of credit shared by the Group's Italian subsidiaries.

Sureties granted against advances received from customers amount to about 36,107 thousand euros (25,945 thousand euros at 31 December 2009).

### 31. COMMITMENTS

At 31 December 2010 commitments to purchase property, plant and equipment and intangible assets came to 163 thousand euros and 23 thousand euros respectively.

The Group has outstanding commitments of 1,460 thousand euros (1,622 thousand euros at 31 December 2009) for future minimum payments under irrevocable operating leases relating primarily to plant, machinery and vehicles (650 thousand euros due within one year, 769 thousand euros between one and five years and 41 thousand euros over five years) and commitments under rental contracts of 107,043 thousand euros (96,390 thousand euros at 31 December 2009), of which 10,004 thousand euros fall due within one year, 38,590 thousand euros between one and five years and 58,449 thousand euros over five years. Note that as part of the sale of the plants located in Calenzano (Florence), a lease contract has been stipulated with a duration of eighteen years and annual lease instalments for a total of 660 thousand euros.

Instalments paid during the year for operating lease contracts and rentals were 9,846 thousand euros (6,932 thousand euros in the previous year).

There are also other commitments in favour of third parties for 2,015 thousand euros, consisting mainly of the Parent Company's commitment to buy further units of the Mandarin Capital Partners S.C.A. private equity fund for 1,024 thousand euros.

### 32. RELATED-PARTY TRANSACTIONS

At 31 December 2010 the Group holding company is IMA Industria Macchine Automatiche S.p.A., 71.517% owned by SO.FI.MA. S.p.A., which is in turn a subsidiary of Lopam Fin S.p.A. The following companies participate in the domestic consolidated taxation mechanism: IMA S.p.A.,

IMA Life S.r.l., IMA Safe S.r.l., IMA Flavour S.r.l., Zanchetta S.r.l. and CO.MA.DI.S. S.p.A. as consolidated companies and SO.FI.MA. S.p.A. as the consolidating company.

As described earlier, intercompany transactions are a consequence of the organizational structure of the Group. Such transactions are carried out as part of ordinary operations on an arm's-length basis.

In addition to intercompany transactions, the Group also conducts operations with other related parties, mainly parties controlling the Parent Company, or parties responsible for the administration and management of IMA S.p.A. or entities controlled by such parties. The Board must give advance approval in its meetings for all transactions with related parties, including inter-company transactions, except for transactions carried out in the ordinary course of business on arm's-length terms.

These transactions are mainly commercial and real estate operations (leased premises used by the Parent Company or the Group), as well as participation in the consolidated tax mechanism mentioned above. Related-party transactions are carried out on an arm's-length basis.

On 1 December 2010, IMA S.p.A. adopted compulsory procedures to be followed by IMA and its subsidiaries when carrying out transactions with parties related to IMA. These procedures have been adopted pursuant and consequent to Art. 2391-bis of the Italian Civil Code and to the "Regulation on related-party transactions" approved by Consob. For further information please see the report on operations.

The following table details the main transactions carried out with related parties (thousands of euros):

	Receivables at 31.12.2010	Receivables at 31.12.2009	Payables at 31.12.2010	Payables at 31.12.2009
Parent companies:				
SO.FI.MA. S.P.A.	-	-	6,424	8,672
	-	-	<b>6,424</b>	<b>8,672</b>
Associates:				
B.C. S.r.l.	-	-	350	586
Bacciottini Flli S.r.l.	1	-	3,024	1,068
Bolognesi S.r.l.	-	n.a.	717	n.a.
Brio Pharma Technologies Pvt. Ltd.	4	3	56	109
I.E.M.A. S.r.l.	2	-	2,286	981
LA.CO. S.r.l.	1,273	1,290	835	821
Logimatic S.r.l.	1,484	n.a.	4,006	n.a.
Masterpiece S.r.l.	50	50	95	179
Powertransmission.it S.r.l.	-	-	269	102
Scriba Nanotecnologie S.r.l.	9	9	-	-
SIL.MAC. S.r.l.	53	175	921	312
	<b>2,876</b>	<b>1,527</b>	<b>12,559</b>	<b>4,158</b>
Other related parties:				
Datalogic Automation S.r.l.	-	-	81	45
Idice S.p.A.	-	-	16	16
Lopam S.r.l.	-	-	25	25
Naturapack S.r.l.	n.a.	684	n.a.	85
Poggi & Associati	260	-	152	72
Viaggi Nuova Era S.r.l.	-	-	2,132	1,460
	<b>260</b>	<b>684</b>	<b>2,406</b>	<b>1,703</b>
<b>Total</b>	<b>3,136</b>	<b>2,211</b>	<b>21,389</b>	<b>14,533</b>

	Revenues 2010	Revenues 2009	Costs 2010	Costs 2009
<b>Associates:</b>				
B.C. S.r.l.	–	–	2,780	3,094
Bacciottini F.lli S.r.l.	8	–	4,868	2,641
Brio Pharma Technologies Pvt. Ltd.	–	–	560	196
Bolognesi S.r.l.	–	n.a.	227	n.a.
G.S. Divisione Verniciatura S.r.l.	n.a.	–	n.a.	56
I.E.M.A. S.r.l.	3	–	3,010	1,876
LA.CO. S.r.l.	551	512	1,826	2,146
Logimatic S.r.l.	1,277	n.a.	6,740	n.a.
Masterpiece S.r.l.	–	–	350	423
Powertransmission.it S.r.l.	–	–	616	218
Scriba Nanotecnologie S.r.l.	–	3	–	–
SIL.MAC. S.r.l.	44	12	1,664	1,511
	<b>1,883</b>	<b>527</b>	<b>22,641</b>	<b>12,161</b>
<b>Other related parties:</b>				
Datalogic Automation S.r.l.	–	–	156	122
Idice S.p.A.	–	–	33	33
Italbe S.p.A.	–	–	231	185
Lopam S.r.l.	–	–	499	494
Morosina S.p.A.	–	–	150	150
Naturapack S.r.l. (*)	284	1,394	780	213
Nemo Investimenti S.r.l.	4	–	1,490	338
Poggi & Associati	–	–	1,141	491
Sporting Club Gira S.r.l.	–	–	163	300
Viaggi Nuova Era S.r.l.	–	–	3,925	3,872
	<b>288</b>	<b>1,394</b>	<b>8,568</b>	<b>6,198</b>
<b>Total</b>	<b>2,171</b>	<b>1,921</b>	<b>31,209</b>	<b>18,359</b>

(\*) The amounts relate to the period January/June 2010

The above transactions relate primarily to the Italian companies.

Brief information about transactions with associates is given below:

- B.C. S.r.l. manufactures machine parts for the Group and third parties;
- Bacciottini F.lli S.r.l. processes sheet metal for pharmaceutical machinery;
- Bolognesi S.r.l. operates in the field of mechanical engineering and industrial assembly;
- Brio Pharma Technologies Pvt. Ltd. distributes certain product lines of the Group in India;
- I.E.M.A. S.r.l. designs and produces equipment for automated machinery;
- LA.CO. S.r.l. manufactures mechanical constructions and repairs machine tools;
- Logimatic S.r.l. operates in the marketing, distribution and testing of automatic machines;
- Masterpiece S.r.l. carries out engineering work;
- Powertransmission.it S.r.l. manufactures and sells mechanical components, assemblies and complete plant;
- Scriba Nanotecnologie S.r.l. specializes in the study of high-tech solutions against food adulteration and for tracking pharmaceuticals;
- SIL.MAC. S.r.l. operates in the field of mechanical engineering, specializing in the construction of machines for third parties.

Transactions with associates are largely of a commercial nature. See Note 4 for further information.

Brief information about transactions with other related parties is given below:

- Naturapack S.r.l. sells used automatic machines, after refurbishing and regenerating them. On 1 July 2010 the Parent Company completed the purchase of the entire share capital of Naturapack S.r.l. This transaction is considered as being with related parties, as some of IMA S.p.A.'s directors and managers hold investments in the selling company. Reconta Ernst & Young S.p.A., in its role of independent expert, issued a fairness opinion confirming that the purchase price of 6,000 thousand euros was reasonable;
- Viaggi Nuova Era S.r.l., a travel agency owned by Lopam Fin S.p.A., provides services to Group companies at market prices;
- transactions with Italbe S.r.l. and Lopam S.r.l. and Nemo Investimenti S.r.l. mainly relate to rental expenses.

The table below provides a summary of the balance sheet and the income statement including transactions with related parties and the percentage impact (thousands of euros):

	Total at 31.12.2010	Of which related parties	% im pact	Total at 31.12.2009	Of which related parties	% im pact
<b>Balance sheet:</b>						
<i>Non-current assets</i>	190,489	350	0.2%	177,321	430	0.2%
Trade and other receivables	135,419	3,136	2.3%	114,665	2,211	1.9%
Financial assets	2,138	–	0.0%	879	–	0.0%
Other current assets	263,919	–	0.0%	240,387	–	0.0%
<i>Current assets</i>	401,476	3,136	0.8%	355,931	2,211	0.6%
<b>Total assets</b>	<b>591,965</b>	<b>3,486</b>	<b>0.6%</b>	<b>533,252</b>	<b>2,641</b>	<b>0.5%</b>
<i>Shareholders' equity</i>	115,885			130,201		
<i>Non-current liabilities</i>	92,514	–	0.0%	122,414	–	0.0%
Trade and other payables	198,914	14,965	7.5%	127,950	5,861	4.6%
Income tax liabilities	9,965	6,424	64.5%	12,250	8,672	70.8%
Other current liabilities	174,687	–	0.0%	140,437	–	0.0%
<i>Current liabilities</i>	383,566	21,389	5.6%	280,637	14,533	5.2%
<b>Total liabilities and equity</b>	<b>591,965</b>	<b>21,389</b>	<b>3.6%</b>	<b>533,252</b>	<b>14,533</b>	<b>2.7%</b>
<b>Income statement:</b>						
Revenues and other income	512,374	2,091	0.4%	517,202	1,918	0.4%
Cost of raw materials and goods	(174,394)	(18,026)	10.3%	(141,591)	(8,940)	6.3%
Cost of services and leases	(113,787)	(12,970)	11.4%	(101,265)	(9,369)	9.3%
Other operating costs	(180,993)	(133)	0.1%	(203,208)	(50)	0.0%
<b>Operating profit</b>	<b>43,200</b>			<b>71,138</b>		
Net financial income (expense)	(7,133)	–	0.0%	(10,091)	3	0.0%
Other income statement items	(18,626)	–	0.0%	(23,541)	–	0.0%
<b>Net profit for the year</b>	<b>17,441</b>			<b>37,506</b>		

On 23 February 2010, IMA S.p.A. completed the purchase of the residual 1.48% interest in IMA Flavour S.r.l. and 5.5% interest in IMA Life S.r.l. at a cost of 3,400 thousand euros and 5,600 in thousands of euros, respectively.

The counterparties in these transactions, Contura S.r.l. and Sape S.r.l., have to be considered related parties as they are controlled by two IMA managers who are both directors and, in one case, also an executive, of the two companies involved in the purchase and sale. IMA has received a fairness opinion on the financial terms of the transaction from Ernst & Young, an independent expert. These transactions form part of a process undertaken some time ago to optimise the Group's debt structure in the light of changed conditions in the financial market. They will allow the Parent Company to simplify the control structure of the Group and eliminate diseconomies in the management of financial flows.

The following table reports the fees paid, for any reason and in any form, by the Parent Company and by other Group companies to executives with strategic responsibilities (thousand of euros):

Short-term benefits	Post-employment benefits	Fees for positions	Total
2,297	148	1,333	3,778

The executives with strategic responsibilities include two members of the Board of Directors. Fees paid during the year to directors, members of the Board of Auditors and general managers are shown by name in the section dealing with the CONSOB Resolution no. 11971 of 14 May 1999.

### 33. SIGNIFICANT NON-RECURRING TRANSACTIONS AND EVENTS

The following non-recurring items consist of (thousands of euros):

	2010	2009
Gain on sale of property complex	538	3,795
Tax credits on R&D costs incurred	437	524
Restructuring costs	(3,078)	(3,788)
Writedowns of property, plant and equipment	(286)	-
Ancillary expenses for business combinations	(717)	-
Other non-recurring income and expense	133	-
<b>Total</b>	<b>(2,973)</b>	<b>531</b>

For further information on the sale of property, please see Note 2.

Tax credits were recognized by the Parent Company for 106 thousand euros (98 thousand euros in 2009), by IMA Safe S.r.l. for 150 thousand euros (100 thousand euros in the previous year) and by IMA Flavour S.r.l. for 181 thousand euros (198 thousand euros in the previous year) relating to research and development costs incurred in 2009, as per Art. 1 of Law 296 of 27 December 2006, as subsequently amended. In 2009, 128 thousand euros had been recognized in respect of IMA Life S.r.l.

Restructuring costs, equal to 3,078 thousand euros (3,788 thousand euros the previous year), mainly relate to personnel costs that certain Group companies paid in 2010 with the purpose of rationalizing structures and containing operating costs.

Other non-recurring income and charges refer to agreements stipulated with GIMA S.p.A.'s suppliers in order to obtain discounts on goods and services and to the early termination of a lease contract.

The above non-recurring items are included in operating profit and classified under the following items of the income statement (thousands of euros):

	2010	2009
Other revenues	1,025	4,319
Cost of raw, ancillary and consumable materials and goods for resale	225	–
Services, rentals and leases	(904)	–
Personnel costs	(2,296)	(3,788)
Depreciation and amortization expense	(286)	–
Provisions for risks and charges	(595)	–
Other operating costs	(142)	–
Total operating costs	<b>(3,998)</b>	<b>(3,788)</b>
<b>Operating profit</b>	<b>(2,973)</b>	<b>531</b>

#### 34. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

No significant atypical and/or unusual transactions or positions are reported.

#### 35. SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD

The following main events have taken place subsequent to year end:

- the merger of IMA Safe S.r.l. into IMA S.p.A. with effect from 1 January 2011;
- the merger of Nova Packaging Systems Inc. into IMA North America Inc. with effect from 1 January 2011;
- on 17 January 2011 the Regional Tax Office of Emilia Romagna began a tax audit at IMA Life S.r.l. for a substantive control of income tax, VAT, IRAP and other dues for the tax year 2008;
- on 28 January 2011, an Extraordinary Shareholders' Meeting approved the matters to be resolved, namely:
  - amendment and update of the Articles of Association to bring them into line with current regulations;
  - amendment and update of the Regulations for Shareholders' Meetings to bring them into line with current regulations;
  - amendment of Art. 5 of the Articles of Association to make it possible to increase the share capital in accordance with Art. 2441.4.2 of the Civil Code, as well as to grant a mandate for this purpose to the Board of Directors as per Art. 2443 of the Civil Code.
  - granting a mandate to the Board of Directors for a period of five years from the date of the resolution under Art. 2443 of the Civil Code to increase the share capital for payment in one or more tranches by up to a maximum at par of 1,773,200 euros by issuing a maximum of 3,410,000 ordinary shares of par value 0.52 euros each, to be placed exclusively with third parties excluding current shareholders' option rights, in accordance with Art. 2441.4.2 and/or Art. 2441.5 of the Civil Code.

These amendments to the Articles of Association took effect after they had been filed with the pertinent Companies Register, which took place on 3 February 2011;

- on 10 February 2011, IMA S.p.A. completed its acquisition of the Sympak Corazza Group's Dairy & Convenience Food division, as announced in October 2010. This operation was carried out through IMA Industries S.r.l., a wholly-owned subsidiary. The agreed acquisition price amounts to 57.5 million euros, all of which was paid at the time that ownership of the shares was transferred. Some 6 million euros of debt was also taken on at the time of the closing. The parent company's financial statements for 2010 show sales of around 91 million euros and an EBITDA of around 13 million euros. Moreover, IMA acquired from Sympak Corazza, through a wholly-owned subsidiary CMH S.r.l., 100% of OPM S.p.A., which runs the packaging side of the "Chocolate & Confectionery" sector, partly through FIMA S.p.A., a 70%-held subsidiary. This purchase was carried out through a vehicle company to assess possible strategic alliances in this business. The price agreed by the parties comes to 6.5 million euros, all of which was paid at the closing, also taking on some 2 million euros of debt. The 2010 consolidated financial statements of OPM S.p.A. show sales of around 50 million euros, an EBITDA of around 2 million euros and net financial debt of around 2 million euros. These acquisitions form an integral part of our strategy to enlarge the range of machines designed and produced by our Group for the niche food industry, so as to maximise the benefits and synergies that can be obtained from the recent acquisition of GIMA S.p.A.

## H) DISCLOSURE REQUIRED UNDER CONSOB REGULATION NO. 11971 OF 14 MAY 1999

The following table reports fees paid by the Parent Company and other Group companies to Directors, General Managers and managers with strategic responsibilities. This information has been prepared taking into account CONSOB communication 11012984 of 24 February 2011.

(thousands of euros)	Position held	Period office held	End of term of office (*)	Fees for position	Non-monetary benefits (**)	Bonuses and other incentives	Other fees	
Vacchi Marco	Director and Honorary Chairman	01/01/10-31/12/10	2011	20.00	-	-	21.10	(3)
Vacchi Alberto	Chairman and CEO	01/01/10-31/12/10	2011	554.30	7.95	-	211.55	(4)
Malagoli Andrea	Director	01/01/10-31/12/10	2011	412.87	6.05	-	224.32	(3) (4)
Folco Giancarlo	Director Chairman of the Internal Control and Remuneration Committee	01/01/10-31/12/10 01/01/10-31/12/10	2011	20.00 15.00	- -	- -	- -	
Galliani Marco	Director Member of the Internal Control and Remuneration Committee	01/01/10-31/12/10 01/01/10-31/12/10	2011	20.00 15.00	- -	- -	- -	
Minguzzi Italo Giorgio	Director and Secretary	01/01/10-31/12/10	2011	55.00	-	-	-	
Poggi Luca	Director	01/01/10-31/12/10	2011	20.00	-	-	885.67	(5)
Ricotta Enrico (1)	Director	28/01/10-31/12/10	2011	20.00	-	-	-	
Riello Pierantonio	Director	01/01/10-31/12/10	2011	20.00	-	-	-	
Schiavina Maria Carla	Director Member of the Internal Control and Remuneration Committee	01/01/10-31/12/10 01/01/10-31/12/10	2011	20.00 15.00	- -	- -	- -	
Vacchi Gianluca	Director	01/01/10-31/12/10	2011	20.00	-	-	-	
Volta Romano	Director	01/01/10-31/12/10	2011	20.00	-	-	-	
Cazzola Amedeo (2)	Chairman of Board of Auditors	01/01/10-29/04/10	2010	7.67	-	-	54.55	(6)
Aicardi Piero	Auditor Chairman of Board of Auditors	01/01/10-29/04/10 29/04/10-31/12/10	2012	5.50 15.50	- -	- -	35.40 -	(6)
Giovanardi Giacomo	Auditor	01/01/10-31/12/10	2012	17.00	-	-	22.50	(6)
Pinza Riccardo	Auditor	01/01/10-31/12/10	2012	11.33	-	-	-	

(\*) Through the approval of the financial statements

(\*\*) These consist of private use of motor vehicles and insurance policies.

These fees relate to duties performed in 2010.

(1) Fees not received as paid over entirely to Mandarin Advisory S.r.l.

(2) These fees relate to the office of Chairman of Board of Auditors held in IMA S.p.A. up to 29/04/2010 and the offices held in other Group companies.

(3) Fees for directorships held in Group companies other than the parent company.

(4) This includes the salary received as an employee.

(5) Fees for professional advisory work (received directly or indirectly by being part of the majority partners in Poggi & Associati).

(6) Fees for the office held in the boards of auditors in Group companies other than the parent company.

In 2010, total fees paid to managers with strategic responsibilities of any kind and in any form by IMA S.p.A. and its subsidiaries amounted to 3,092 thousand euros and includes the 1,417 thousand euros in fees paid to the directors listed in the table above.

## I) DISCLOSURE REQUIRED UNDER ARTICLE 149-DUODECIES OF THE CONSOB ISSUERS' REGULATION

The following table shows the amounts of audit fees and fees for other services rendered by the independent audit firm in 2010.

Type of service	Service rendered by	Service rendered to	Fees (thousands of euros)	
- Audit	Parent Company's auditor	Parent Company IMA S.p.A.	234	
	Parent Company's auditor	Subsidiary companies	150	
	Parent Company auditor's network	Subsidiary companies	291	
- Other services:				
	- Review of English translation of the financial statements	Parent Company's auditor	Parent Company IMA S.p.A.	4
	- Tax advice	Parent Company's auditor	Parent Company IMA S.p.A.	1
- Tax advice	Parent Company auditor's network	Subsidiary companies	57	



CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO  
ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH  
SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

**Certification of the consolidated financial statements pursuant to Art. 81-ter of Consob Regulation no. 11971  
of 14 May 1999, as amended**

The undersigned, Alberto Vacchi, Chairman and Managing Director, and Sergio Marzo, the executive responsible for preparing the financial reports of I.M.A. Industria Macchine Automatiche S.p.A. certify, having regard for the requirements of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

- the appropriateness with regard to the characteristics of the Company and
- the effective application  
of the administrative and accounting procedures in preparing the consolidated financial statements for the period January-December 2010.

It is also certified that:

1) the consolidated financial statements:

- a) have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;
- b) correspond to the entries in the accounting books and records;
- c) provide a true and fair view of the performance and financial position of the issuer and the companies included in the scope of consolidation.

2) the report on operations includes a reliable analysis of the business and the performance and financial position of the issuer and the companies included in the scope of the consolidation, together with a description of the risks and uncertainties to which they are exposed.

Ozzano dell'Emilia (Bologna), 14 March 2011

Managing Director

Alberto Vacchi

Manager responsible for preparing financial reports

Sergio Marzo

REPORT OF THE INDEPENDENT AUDITORS

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH  
SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)



**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010**

To the shareholders of  
IMA – Industria Macchine Automatiche SpA

1 We have audited the consolidated financial statements of IMA – Industria Macchine Automatiche SpA (hereinafter also the “Company” or “IMA SpA”) and its subsidiaries (hereinafter also “IMA Group”) as of 31 December 2010 which comprise the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated equity, consolidated statement of cash flows and related notes. The directors of IMA SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 14 April 2010.

3 In our opinion, the consolidated financial statements of IMA Group as of 31 December 2010 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of IMA Group for the period then ended.

4 The directors of IMA SpA are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure published in section *Investor Relator* of the website of IMA SpA in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed

**PricewaterhouseCoopers SpA**

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the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by the CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of IMA SpA as of 31 December 2010.

Bologna, 29 March 2011

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Signed by

Roberto Sollevanti  
(Partner)

*This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.*