

ANNUAL REPORT

2009



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## NOTICE OF CALL

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Published in Il Sole-24 Ore of 27 March 2010 to convene the Ordinary Shareholders' Meeting at the offices of the Company in Via Emilia no. 237, Ozzano dell'Emilia - Bologna, at 11:00 a.m. on 29 April 2010, at first call, and, if necessary, on 30 April 2010, at second call (at the same time and place) to resolve the following:

### AGENDA

1. Directors' report on operations for the 2009 financial year. Report of the Board of Statutory Auditors. Financial statements at 31 December 2009. Related and consequent resolutions.
2. Proposed purchase, sale and/or disposal of treasury shares; related and consequent resolutions.
3. Appointment of the Board of Statutory Auditors and the Chairman of the same; fixing appropriate remuneration.

Pursuant to the law, shareholders who, alone or together with other shareholders, represent at least one-fortieth of voting share capital, may request an addition to the items listed on the agenda within five days of publication of this notice, specifying the further matters they wish to address.

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. Any list of additions to the agenda will be published in the same manner as this notice.

Pursuant to Article 10 of the articles of association, attendance at the Shareholders' Meeting in accordance with the law is restricted to the holders of voting rights that are confirmed by certification issued by the intermediary appointed to keep tally, stating that the shares were deposited in a virtual and centrally managed form at least two business days prior to the Shareholders' Meeting, and notified by the intermediary to the Company in accordance with applicable regulations.

The term of office of the Board of Statutory Auditors expires with the approval of the 2009 financial statements. The Shareholders are therefore called upon to vote on the renewal of the entire Board of Statutory Auditors, which involves the appointment of three Standing Auditors, including the Chairman, and three Alternate Auditors and to decide on the remuneration of the members of the Board of Statutory Auditors.

The articles of association envisage the adoption of a list voting system for the appointment of the Board of Statutory Auditors. The rules and procedures applying to the lists of candidates and the necessary accompanying documentation are specified in Art. 23 of the articles of association and published in the Investor Relations section of the website: [www.ima.it](http://www.ima.it)

The lists of candidates have to be deposited at the Company's head office together with the certification showing the total percentage held and confirming ownership at least fifteen days prior to the Shareholders' Meeting at first call.

The right to present lists of candidates is reserved to those shareholders who alone or together with others represent at least 2.5% of the share capital, as set out in the Company's articles of association and Consob resolution 17148 of 27 January 2010.

Each list must contain the name of the person presenting it and must consist of two sections, one for the appointment of the Standing Auditors and the other for the appointment of the Alternate Auditors, and must contain a number of candidates that does not exceed the number of Auditors to be elected, listed in numerical sequence; By the above deadline, the professional curriculum of each candidate must be filed together with each list, including a

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declaration from each candidate accepting the nomination and confirming that there are no conflicts of interest or reasons why they cannot be elected, and that they meet the requirements of office set down in law and the articles of association.

In the case where within the 15 days prior to the Shareholders' Meeting only one effective list has been deposited i.e. only where lists have been deposited by shareholders who under current regulations are deemed to be connected to each other, then other lists can be presented for a further five days. In such a case the aforementioned minimum percentage is reduced to 1.25% of the share capital.

Each Shareholder acting directly, or via an intermediary or a trust company, may contribute to the presentation of only one list. In the event of non-compliance, the support given by such shareholder to any list will be ignored.

Each candidate may only be present on one list or will otherwise be ineligible for election.

Lists presented without complying with the above requirements will be treated as though not presented.

It should be noted that the lists will be published in the form required by current regulations.

In compliance with the applicable regulations, the documentation related to the items on the agenda, comprising the consolidated financial statements at 31 December 2009, the related reports and the annual report on corporate governance, will be available at the registered office located at Via Emilia 428/442, Ozzano dell'Emilia (Province of Bologna), as well as at the administrative office located at Via Tosarelli no. 184, Castenaso (Province of Bologna), and from Borsa Italiana S.p.A., fifteen days prior to the Shareholders' Meeting. The shareholders are entitled to obtain a copy of these documents. 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 2009

(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 AND GENERAL MANAGER**

Andrea Malagoli

#### **DIRECTORS**

Giancarlo Folco, Marco Galliani, Italo Giorgio Minguzzi, Luca Poggi, Enrico Ricotta (appointed on 28 January 2010), 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 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 STATUTORY  
AUDITORS**

(In office until the Shareholders' Meeting called to approve the financial statements at 31 December 2009)

**STANDING AUDITORS**

Amedeo Cazzola - Chairman - Registered auditor

Piero Aicardi - Registered auditor

Giacomo Giovanardi - Registered auditor

**ALTERNATE AUDITORS**

Vittorio Coraducci - Registered auditor

Chiara Gallina - Registered auditor

Antonella Grassigli - Registered auditor

**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**

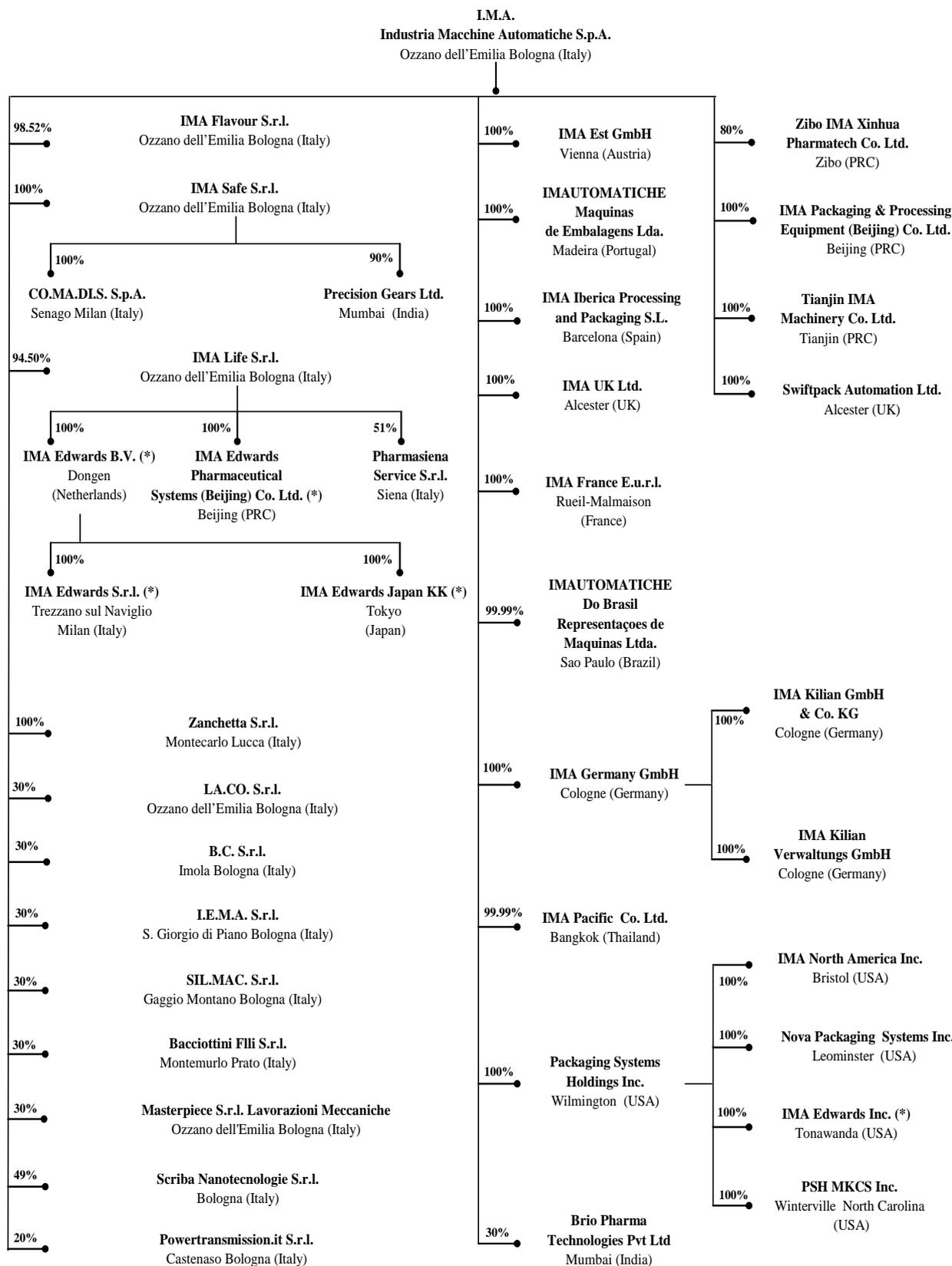
Giancarlo Folco

**INDEPENDENT AUDITORS**

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

PricewaterhouseCoopers S.p.A.

GROUP STRUCTURE



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## GROUP PERFORMANCE

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### THE ECONOMIC SCENARIO

Shareholders,

Last year was a year of deep global crisis triggered by the bursting of the US subprime mortgage bubble towards the end of 2008. The effect rapidly spread to the real economy as well, no longer sustained by the previous level of bank credit.

Governments across the world issued huge amounts of liquidity to bolster credit institutions and avoid the possible collapse of the banking system.

Many banks were effectively nationalized to rescue the financial system and personal savings, though this led to a substantial deterioration in the public finances of the Western economies.

At the same time there was a collapse in world trade as a result of reduced private consumption, as well as the need for businesses to reduce their inventories. All of this led to a severe contraction in global GDP and a consequent reduction in employment levels, which has persisted in the initial months of 2010.

Fortunately the contraction in trade has now eased but it remains far below pre-crisis levels.

It is likely to take years to return to pre-2009 levels, so companies have to equip themselves for a long and difficult period ahead.

Moreover, the state of public finances does not permit an increase in government spending to stimulate consumption and investments. In fact, policies to reduce the deficits need to be adopted, but these could end up making the current crisis even worse. Financial speculation is however preventing a reduction in the prices of raw materials, which is making any economic recovery slower and less certain.

Our Group has worked and continues to work to try to survive this period unscathed by containing costs at all levels, including the reorganization of production centres worldwide, and by strengthening our sales effort in those countries which seem to be least affected by the crisis (essentially the so-called BRIC economies). This has enabled us to achieve very satisfactory financial results in 2009 despite a reduction in revenues.

Our financial position and capital structure allow us to cope with this period without any pressure from the banks; indeed, we may be able to play an active role in the concentration or diversification of the automated machinery industry.

The area that seems to have been hit the hardest by the current crisis is the pharmaceutical segment, with a reduction not only in revenues but also in the order book, fortunately offset by better margins.

There are various reasons for this: the main one is naturally the psychological impact that such a deep downturn has on the willingness of companies to make investments. In addition, there is the effect of the suspension of investments by multinationals that have carried out mergers or acquisitions and have to reorganise their production facilities; lastly, there are the increased difficulties in getting access to credit that small and medium-sized enterprises (SMEs) have experienced in particular. However, the fact that global consumption of pharmaceuticals has not fallen at all and that a substantial part of the world's population is only now gaining access to public welfare programmes leads us to believe that this slowdown is only temporary and that the levels of investment typical of this sector will be seen again very soon.

In 2009 the tea and herbal tea packaging segment reached its highest level of revenues, supported by an excellent order book at the end of 2008. During the year, the orders in this sector also suffered a slight decline, especially as a result of the deep crisis that hit the important

Russian market. However, encouraging signs are emerging from new markets like China, for which we forecast a positive future also in this important sector of our business.

In brief, in 2010, the Group will again intensify the drive for efficiency improvements, cost reductions and more incisive marketing, as we do not foresee a significant increase in demand during the year.

## CONSOLIDATED INCOME STATEMENT

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

- cost of sales: represents costs incurred directly by the Group to generate revenues. For example, it includes materials, labour, the technical offices' costs involved in customizing products and production overheads;
- R&D costs: these include the costs involved in developing new products or maintaining existing products. They also include the costs of technical personnel, the materials used in tests and experiments and the technical offices' overheads;
- 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, depreciation and amortization 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, non-recurring items, operating profit, financial income and expense, profit before tax, income taxes and net profit for the year.

The Group closed 2009 with net profit of 36.86 million euros, compared with 41.81 million euros in 2008.

The following table sets out the most significant figures from the Group's 2009 reclassified income statement, with comparative figures for 2008:

in millions of euros	2009		2008		Change %
	Amount	%	Amount	%	
<b>Revenues</b>	<b>505.77</b>		<b>547.17</b>		<b>(7.6)</b>
Cost of sales	(288.30)	57.0	(332.66)	60.8	
<b>Gross industrial income</b>	<b>217.47</b>	<b>43.0</b>	<b>214.51</b>	<b>39.2</b>	<b>1.4</b>
R&D costs	(25.95)		(23.33)		
Sales costs	(59.63)		(60.83)		
General and administrative costs	(60.31)		(60.09)		
<b>Operating profit before writedowns/impairment/ non-recurring items (EBITA)</b>	<b>71.58</b>	<b>14.2</b>	<b>70.26</b>	<b>12.8</b>	<b>1.9</b>
Writedowns/Impairment adjustments	(0.97)		(1.45)		
Non-recurring items	0.53		3.12		
<b>Operating profit (EBIT)</b>	<b>71.14</b>	<b>14.1</b>	<b>71.93</b>	<b>13.1</b>	<b>(1.1)</b>
Net financial income (expense)	(10.09)		(11.27)		
Profit (loss) from investments accounted for using the equity method	0.01		(0.29)		
<b>Profit before tax</b>	<b>61.06</b>	<b>12.1</b>	<b>60.37</b>	<b>11.0</b>	<b>1.1</b>
Income taxes	(23.55)		(19.03)		
<b>Net profit from continuing operations</b>	<b>37.51</b>	<b>7.4</b>	<b>41.34</b>	<b>7.6</b>	<b>(9.3)</b>
Net profit from discontinued operations/ disposal groups	-		0.78		
<b>Net profit for the year</b>	<b>37.51</b>	<b>7.4</b>	<b>42.12</b>	<b>7.7</b>	<b>(10.9)</b>
Profit (loss) pertaining to minority interests	(0.65)		(0.31)		
<b>Group profit</b>	<b>36.86</b>	<b>7.3</b>	<b>41.81</b>	<b>7.6</b>	<b>(11.8)</b>
<b>Gross operating profit (EBITDA)</b>	<b>85.98</b>	<b>17.0</b>	<b>87.71</b>	<b>16.0</b>	<b>(2.0)</b>
<b>Order book</b>	<b>210.30</b>		<b>251.35</b>		<b>(16.3)</b>

## REVENUES BY SECTOR

in millions of euros	2009		2008		Change %
	Amount	%	Amount	%	
Tea, coffee and herbal tea packaging	93.79	18.5	84.90	15.5	10.5
Pharmaceutical packaging	292.08	57.8	323.16	59.1	(9.6)
Pharmaceutical processing	119.07	23.5	137.79	25.2	(13.6)
Other	0.83	0.2	1.32	0.2	(37.1)
<b>Total</b>	<b>505.77</b>	<b>100.0</b>	<b>547.17</b>	<b>100.0</b>	<b>(7.6)</b>

Consolidated revenues in 2009 amounted to 505.77 million euros, a decrease of 7.6% with respect to the prior year.

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

- the revenues of the tea, coffee and herbal tea packaging segment rose by 10.5%, following an excellent year in 2008, due to an increase in market share within the European Union and the growth in Asian markets, China in particular;
- the revenues of the pharmaceutical packaging sector fell by 9.6% (292.08 million euros versus 323.16 million euros in 2008) as a result of fewer orders in the pharmaceutical market during the first half of 2009;
- the pharmaceutical process machinery sector shows a reduction in revenues of 18.72 million euros compared with 2008 (-13.6%) reflecting the decline in new orders that characterised the first half of the year.

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

in millions of euros	2009		2008		Change %
	Amount	%	Amount	%	
Tea, coffee and herbal tea packaging	58.93	28.0	68.03	27.1	(13.4)
Pharmaceutical packaging	115.71	55.0	139.27	55.4	(16.9)
Pharmaceutical processing	35.66	17.0	44.05	17.5	(19.0)
<b>Total</b>	<b>210.30</b>	<b>100.0</b>	<b>251.35</b>	<b>100.0</b>	<b>(16.3)</b>

## REVENUES BY GEOGRAPHICAL AREA

in millions of euros	2009		2008		Change %
	Amount	%	Amount	%	
European Union (excluding Italy)	193.79	38.3	213.05	38.9	(9.0)
Other European countries	36.28	7.2	50.63	9.3	(28.3)
North America	76.40	15.1	97.79	17.9	(21.9)
Asia & Middle East	118.24	23.4	95.25	17.4	24.1
Other countries	44.12	8.7	59.72	10.9	(26.1)
<b>Total foreign markets</b>	<b>468.83</b>	<b>92.7</b>	<b>516.44</b>	<b>94.4</b>	<b>(9.2)</b>
Italy	36.94	7.3	30.73	5.6	20.2
<b>Total</b>	<b>505.77</b>	<b>100.0</b>	<b>547.17</b>	<b>100.0</b>	<b>(7.6)</b>

Some 92.7% 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 the EU, excluding Italy, fell by 19.26 million euros, despite good performances by countries such as Germany and the United Kingdom;
- sales in other European countries declined as a result of smaller volumes in the Russian market, which had shown strong growth in the past. Sales in other European countries remained at good levels;
- revenues in North America were about 21.39 million euros lower than in the prior year. The sales trend reflects the recession in that area, although IMA's market position has remained strong in a market where there is no local competitor of any importance.
- Asia and the Middle East showed strong growth (22.99 million euros) and now represent 20% of aggregate Group sales, confirming the trend in recent years. In particular, sales to China increased from 22.65 million euros in 2008 to 44.64 million euros in 2009 (8.8% of total Group sales). The progress being made in local economies is raising production standards closer to those in the West, and as a consequence demand for machinery is more in line with what we offer. We are able to respond to such requests very rapidly, strengthening our production capacity, especially in China and India;
- revenues from other countries reflect a variety of trends, with a slight increase in Africa and a decrease in Central and South America;
- the increase in Italy is due to a larger number of projects compared with the previous year. This year-on-year variability 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

Industrial gross income was 43.0% of revenues, compared with 39.2% in 2008.

This considerable increase is due to the different mix between the tea and the pharmaceutical segments and to improved margins in the latter.

The tea segment has increased from 15.5% to 18.5% of revenues, increasing its contribution to the total industrial gross profit.

Alongside the positive impact of the mix effect, during the year measures taken to reduce the cost of purchases of mechanical parts and efficiency improvements in both pharmaceutical segments also generated benefits, resulting in increased profitability.

## R&D COSTS

Research and development costs rose slightly to 25.95 million euros in 2009 (23.33 million euros for 2008), absorbing 5.1% 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 distinguished our Group and, over the years, has given us a strong market leadership position.

Development continued during 2009 on several entirely new product families, thus expanding the Group's product range.

Specifically, these include a new capsule filling machine, to the new series of line filling machines for sterile environments and a new machine for packaging tea in special shaped tea-bags. The costs incurred on such projects during the course of the year have been capitalised as they comply with the requirements for recognition of intangible assets. They amount to around 3.09 million euros (1.78 million euros in 2008). 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 59.63 million euros, down 1.20 million euros with respect to 2008. They increased slightly as a proportion of revenues from 11.1% in 2008 to 11.8% last year, but decreased in absolute terms as a result of the cost containment programme. As commissions paid to commercial intermediaries diminished by 1.3 million euros (from 11.8 million euros to 10.5 million euros), it follows that, net of this change, sales costs remained in line with those of 2008 despite the increase in unit production costs.

## GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs increased by 0.22 million euros, from 60.09 million euros in 2008 to 60.31 million euros in 2009, which reflects stable costs when compared with 2008, thanks to the cost containment programme, despite the increase in unit production costs.

## OPERATING PROFIT

Consolidated EBITA amounts to 71.58 million euros, representing 14.2% of revenues, an increase on the previous year's figure of 12.8% as a result of the different product mix between the tea and pharmaceutical segments as explained earlier.

Both the increase in gross industrial income and the limited rise in overheads contributed to the good result 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 in provisions for the costs involved in reorganizing certain Group companies. In 2008, on the other hand, non-recurring income related to the entry of new minority shareholders in IMA Flavour S.r.l. and IMA Life S.r.l. through reserved capital increases (2.48 million euros) and tax credits for R&D costs incurred in 2007 (0.64 million euros). Excluding non-recurring items, operating profit in 2009 would have been 70.61 million euros compared with 68.81 million euros in 2008.

## NET FINANCIAL INCOME (EXPENSE)

Net financial expense, detailed in the notes to the financial statements, was 10.09 million euros (compared with 11.27 million euros in 2008). The improvement is associated with the lower cost of euro-denominated debt compared with 2008; it also reflects the writedown of the investment in Pierrel S.p.A. in the amount of 4.61 million euros.

## NET PROFIT

The Group's net profit amounted to 36.86 million euros, compared with 41.81 million euros in the prior year, after an income tax charge of 23.55 million euros.

This decrease is the result of the increased tax liability in 2009 compared with 2008, principally as a result of the increase in non-deductible costs.

## PROFITABILITY RATIOS

The principal profitability parameters relating to 2009 and 2008 are presented below:

Ratio	Breakdown	2009	2008
Return on sales (ROS)	Operating profit	14.1%	13.1%
	Net revenues		
Return on investment (ROI)	Operating profit	29.2%	27.9%
	Net capital employed		
Return on equity (ROE)	Net income	29.1%	34.8%
	Equity		

The change in the profitability ratios between 2008 and 2009 is a result of the changes in operating profit and net profit discussed above.

## CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

The following main items in the balance sheet are equivalent to those reported in the consolidated balance sheet presented in the section entitled "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, while the severance obligation and other provisions mainly includes the provision for severance indemnities.

The following table summarizes the Group's balance sheet and financial position at 31 December 2009:

in millions of euros	31.12.2009		31.12.2008		Change %
	Amount	%	Amount	%	
Trade receivables	100.94	41.4	110.00	42.7	(8.2)
Inventories	140.02	57.5	160.23	62.2	(2.6)
Trade payables	(92.58)	(38.0)	(155.66)	(60.4)	(40.5)
Other, net	(49.45)	(20.3)	(35.94)	(14.0)	37.6
<b>Working capital</b>	<b>98.93</b>	<b>40.6</b>	<b>78.63</b>	<b>30.5</b>	<b>25.8</b>
Property, plant and equipment	28.04	11.5	70.96	27.5	(60.5)
Intangible assets	115.37	47.4	117.39	45.6	(1.7)
Investments	18.00	7.4	13.21	5.1	36.3
<b>Non-current assets</b>	<b>161.41</b>	<b>66.3</b>	<b>201.56</b>	<b>78.2</b>	<b>(19.9)</b>
Provision for severance indemnities and other provisions	(16.71)	(6.9)	(22.46)	(8.7)	(25.6)
<b>Net capital employed</b>	<b>243.63</b>	<b>100.0</b>	<b>257.73</b>	<b>100.0</b>	<b>(5.5)</b>
<b>FINANCED BY:</b>					
<b>Net debt</b>	<b>113.43</b>	<b>46.6</b>	<b>134.80</b>	<b>52.3</b>	<b>(15.9)</b>
Minority interests	3.39	1.4	2.90	1.1	16.9
<b>Group equity</b>	<b>126.81</b>	<b>52.0</b>	<b>120.03</b>	<b>46.6</b>	<b>5.6</b>
<b>Total sources of financing</b>	<b>243.63</b>	<b>100.0</b>	<b>257.73</b>	<b>100.0</b>	<b>(5.5)</b>

## WORKING CAPITAL

Working capital at 31 December 2009 amounted to 98.93 million euros, up 20.30 million euros since the end of 2008.

The change is due to the reduction of 63.08 million euros in trade payables during the year. In particular, due to the reduction in trade receivables and inventories as a result of lower sales volumes, trade payables and in particular customer prepayments have substantially reduced as a result of the smaller order book at the end of the year and the date on which orders have been placed in the last quarter of 2009 compared with 2008. The reduction in trade payables is attributable to bringing in-house certain activities which were previously outsourced and to reduced purchases from suppliers as a result of the smaller order book.

Management remains strongly committed to the structural control of working capital.

Developments in the main items are discussed below:

- trade receivables fell by 9.06 million euros from 110.00 million euros at 31 December 2008 to 100.94 million euros at the end of 2009 largely as a consequence of reduced sales volumes;
- inventories fell by 20.21 million euros to 140.02 million euros (160.23 million euros in 2008) due to the reduced order book at the end of 2009 and greater efficiency in managing stock levels. The Group is continuing efforts to further 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, decreased by 63.08 million euros, of which, as noted, 29.27 million euros regard advances from customers;
- the "Other, net" item increased slightly to 49.45 million euros in 2009 (35.94 million euros in 2008).

## NON-CURRENT ASSETS

In total, non-current assets decreased by 40.15 million euros compared with 31 December 2008 as a result of the disposal of industrial buildings for a total of 41.60 million euros during the year. In 2009, the Group initiated a programme of property disposals in order to raise the financial resources needed to continue its external expansion policy.

The table below reports changes in 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	4.86	6.99	11.85
Net book value of disposals	(41.72)	(0.01)	(41.73)
Acquisition of Pharmasiena S.r.l.	–	1.42	1.42
Change in scope of consolidation	0.07	0.65	0.72
Amortization and depreciation charges for the year	(6.04)	(7.83)	(13.87)
Writedowns/Impairment adjustments	–	(0.97)	(0.97)
Reduction in book value	–	(2.14)	(2.14)
Exchange rate difference	(0.09)	(0.13)	(0.22)
<b>Total</b>	<b>(42.92)</b>	<b>(2.02)</b>	<b>(44.94)</b>

The changes in individual items are described in the notes to the financial statements. Amortization and depreciation charges for the year totalled 13.87 million euros, down on 2008 due to the sale of properties. This amount will be further reduced in 2010.

## NET CAPITAL EMPLOYED

Compared with 31 December 2008, capital employed net of operating liabilities decreased by 14.10 million euros to 243.63 million euros.

## NET DEBT

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. At 31 December 2009, non-current financial assets are represented by financial receivables. The figure differs from that reported in the balance sheet in that it does not include equity investments in other companies.

Net debt at 31 December 2009 amounted to 113.43 million euros and breaks down as follows:

	31.12.2009	31.12.2008
A. Cash and cash equivalents	(100.19)	(76.36)
B. Other cash equivalents	-	-
C. Investments in securities	(0.88)	(0.93)
<b>D. Liquidity (A)+(B)+(C)</b>	<b>(101.07)</b>	<b>(77.29)</b>
<b>E. Current financial receivables</b>	<b>-</b>	<b>(0.20)</b>
F. Current payables to banks	88.73	85.31
G. Current portion of non-current bank payables	34.46	36.09
H. Other current financial payables	1.38	1.90
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>124.57</b>	<b>123.30</b>
<b>J. Net current financial debt (D)+(E)+(I)</b>	<b>23.50</b>	<b>45.81</b>
K. Non-current portion of non-current bank payables	89.66	91.37
L. Non-current financial assets	(1.03)	(4.76)
M. Other non-current financial payables	1.30	2.38
<b>N. Non-current financial debt (K)+(L)+(M)</b>	<b>89.93</b>	<b>88.99</b>
<b>O. Net financial debt (J)+(N)</b>	<b>113.43</b>	<b>134.80</b>

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

At 31 December 2008, the reduction in debt of 21.37 million euros is largely due to the sale of buildings for a total of 45.90 million euros, partially set off by the increase in working capital as described earlier, by the acquisition of minority stakes in a number of companies and by the increased dividends paid compared with the previous year.

## GROUP EQUITY

Equity as of 31 December 2009 amounted to 126.81 million euros, an increase of 6.79 million euros attributable to the net effect of the following movements:

Dividends paid during the year	(30.50)
Purchase and sale of treasury shares	(0.72)
Measurement of financial instruments recognised in equity	1.47
Exchange rate differences on the translation of foreign currency financial statements	(0.32)
Net profit	36.86
<b>Total</b>	<b>6.79</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 2009 (millions of euros):

	Shareholders' equity	Group profit
<b>Results from the financial statement of I.M.A. Industria Macchine Automatiche S.p.A</b>	<b>77.84</b>	<b>33.32</b>
<i>Consolidation adjustments</i>		
a) Elimination of book value of consolidated investments and measurement of investments using the equity method	58.43	42.47
b) Elimination of dividends distributed by Group companies	–	(37.75)
c) Elimination of intercompany items:		
· Intangible assets	–	0.01
· Inventories	(4.85)	(0.41)
· Margins and fees for contract work	0.13	(0.16)
d) Writedowns/Impairment	(3.96)	–
e) Tax effect of consolidation adjustments and other tax effects	(0.78)	(0.62)
Net effect of consolidation adjustments	48.97	3.54
<b>Amounts pertaining to the Group</b>	<b>126.81</b>	<b>36.86</b>

**ANALYSIS OF  
PERFORMANCE BY SECTOR**

The following table analyzes consolidated performance by business segment in 2009:

in millions of euros	Tea	Packaging	Processing	Other	Not allocated	Total
Revenues	93.79	292.08	119.07	0.83	–	505.77
Operating profit before writedowns impairment/non-recurring items (EBITA)	31.94	32.14	7.71	(0.21)	–	71.58
Operating profit (EBIT)	32.83	32.04	6.48	(0.21)	–	71.14
Net capital employed (*)	24.90	132.56	77.33	18.60	(9.76)	243.63
R&D costs	4.49	15.42	6.04	–	–	25.95
Average personnel (**)	200	1,873	640	–	422	3,135
Order book	58.93	115.71	35.66	–	–	210.30

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

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

Net capital employed includes 78.30 million euros in goodwill, of which 47.60 million euros relates to the packaging segment and 30.70 million euros to the process segment.

## TEA, COFFEE AND HERBAL TEA PACKAGING

in millions of euros	2009	2008	Change %
Revenues	93.79	84.90	10.5
Operating profit before writedowns/impairment/ non-recurring items (EBITA)	31.94	30.55	4.5
Operating profit (EBIT)	32.83	32.48	1.1
Net capital employed	24.90	17.63	41.2
R&D costs	4.49	4.69	(4.3)
Average personnel	200	195	
Order book	58.93	68.03	(13.4)

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 2009, with excellent performance in the EU, Asia and China markets due to initiatives undertaken by large multinational groups, and to sales to companies with strong local connections, especially in Europe and Asia.

Revenues from the tea sector were 10.5% higher than the already good results reported last year, confirming the Group's strong leadership position in this market. There was also further growth in operating profit, which amounted to 32.83 million euros (35.0% of sales) compared with 32.48 million euros in 2008 (38.3% of sales), despite reduced non-recurring items totalling 0.89 million euros compared with 1.93 million euros in 2008. The order book fell by 13.4% (to 58.93 million euros compared with 68.03 million euros in 2008), due to changes in the timing of orders while still providing good visibility for the coming year.

Net capital employed amounted to 24.90 million euros, a slight rise compared with 2008 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 2008.

## PHARMACEUTICAL PACKAGING

in millions of euros	2009	2008	Change %
Revenues	292.08	323.16	(9.6)
Operating profit before writedowns/impairment/ non-recurring items (EBITA)	32.14	30.79	4.4
Operating profit (EBIT)	32.04	30.45	5.2
Net capital employed (*)	132.56	139.50	(5.0)
R&D costs	15.42	13.38	15.2
Average personnel	1,873	1,819	
Order book	115.71	139.27	(16.9)

(\*) Net capital employed includes goodwill of 47.60 million euros (47.25 million euros at 31 December 2008).

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 Pharmasienna Service S.r.l. in Siena.

It also includes the activities of CO.MA.DI.S. S.p.A., a wholly-owned subsidiary based in Senago (Milan), the Indian subsidiary Precision Gears Ltd. with operations in Mumbai and Indore (India), Swiftpack Automation Ltd. with registered offices and plant in Alcester (UK), and Packaging Systems Holdings Inc., which holds 100% of Nova Packaging Systems Inc., with registered offices in Leominster (Massachusetts). 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 reduction in revenues of 9.6% (-31.08 million euros) in the packaging segment is due to the lower level of orders received in the first half of the year. The segment experienced an appreciable improvement compared with the previous year, with an operating profit (EBIT) of 32.04 million euros compared with 30.45 million euros in 2008 thanks to orders with higher margins due to a more favourable product mix and more efficient production processes. Considering that the operating profit for 2008 contained non-recurring income of 1.12 million euros, the growth achieved in 2009, on lower sales volumes, is significant and shows how the reorganization and the efforts to improve efficiency are paying the expected dividends.

Net capital employed amounted to 132.56 million euros (139.50 million euros at the end of 2008). The difference is due to the reduction in non-current assets following the sale of properties during the year and the increase in net working capital as described above.

## PHARMACEUTICALS PROCESSING

in millions of euros	2009	2008	Change %
Revenues	119.07	137.79	(13.6)
Operating profit before writedowns/impairment/ non-recurring items (EBITA)	7.71	9.16	(15.8)
Operating profit (EBIT)	6.48	9.24	(29.9)
Net capital employed (*)	77.33	97.00	(20.3)
R&D costs	6.04	5.26	14.8
Average personnel	640	624	
Order book	35.66	44.05	(19.0)

(\*) Net capital employed includes goodwill of 30.70 million euros.

The pharmaceutical processing sector includes the activities performed directly by IMA S.p.A. through its IMA Active Division based in 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 18.72 million euros with respect to 2008 to 119.07 million euros, while operating profit was down slightly (-2.76 million euros). The main reason for the reduced operating profit is lower sales volumes, certain orders whose margins were not in line with the average of the sector, penalizing the result for 2009, and the writedown of 0.97 million euros on capitalised development costs.

Corrective measures will continue in 2010 to raise the profitability of the processing segment to the same level as the other pharmaceutical divisions. The order book at 31 December 2009 amounted to 35.66 million euros, somewhat down on its level at 31 December 2008 (44.05 million euros).

## INVESTMENT

Group capital expenditure on property, plant and equipment amounted to 4.86 million euros (9.98 million euros in the same period of 2008) and mainly related to the extension and upgrading of existing buildings and plant, together with the purchase of machinery and electronic equipment. The reduction in capital expenditure in 2009 is attributable to spending for buildings and plant and machinery.

Capital expenditure on intangible assets amounted to 6.99 million euros (12.29 million euros in the same period of 2008) and mainly reflected the capitalization of development costs incurred on totally new products for market segments not previously occupied, as well as the goodwill recorded following the acquisition of the MKCS Inc. line of business. The lower investment in intangibles during 2009 was attributable to the effect of the capitalization of 5 million euros in 2008 for the non-compete agreement entered into by IMA Life S.r.l. in connection with the purchase of the investment in IMA Edwards Pharmaceutical Systems (Beijing) Co. Ltd.

In addition, the purchase of Pharmasiena Service S.r.l. during the third quarter of 2009 resulted in the recognition of 2.07 million euros of goodwill.

Depreciation and amortization for the period was 13.87 million euros, compared with 14.33 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 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 redundancy. 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: teamwork at its best. 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 2009, the average number of Group employees came to 3,135, compared with 3,048 in 2008. The geographical breakdown of the workforce is as follows:

	2009	2008	Change
Italy	1,656	1,633	23
India	410	411	(1)
China	299	263	36
USA	284	274	10
Germany	211	213	(2)
Netherlands	90	88	2
UK	75	71	4
Eastern Europe	41	41	-
France	34	30	4
Spain	16	16	-
Japan	8	2	6
Brazil	5	-	5
Thailand	4	4	-
Portugal	2	2	-
<b>Total</b>	<b>3,135</b>	<b>3,048</b>	<b>87</b>

Pharmasiena Service S.r.l., PSH MKCS Inc. and Imautomatiche Do Brasil Ltda., which were not consolidated in 2008, employed 20 people.

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 22% of employees work in the commercial area, including pre-sales and after-sales, 18% in our R&D laboratories, 14% 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 75% of employees are occupied in office and managerial activities.

## PERSONNEL COSTS

Payroll amounted to 164.46 million euros, compared with 155.10 million euros in the prior year, equal to 32.5% of net revenues.

The increase compared with the previous year is largely due to restructuring costs of 3.79 million euros, the inclusion of Imautomatiche Do Brasil Ltda., PSH MKCS Inc. and Pharmasiena S.r.l. in the scope of consolidation, for 1.38 million euros, and the increase in personnel costs of the companies located abroad.

The personnel costs for Italian staff, taking into account the major elements of compensation, remain largely unchanged compared with the previous year, as the increase of around 3.4% can be attributed to pay rises under the national collective bargaining agreement for metalworkers and related bonus agreement, which have been completely offset by the reduction in overtime working and by a greater use of accrued holidays.

## HUMAN RESOURCE POLICY

In 2009, 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 70% 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 constructive relationship with the trade unions. Thanks to this consolidated relationship, this past year was also largely free from disputes. As regards the Italian companies, on 15 October 2009, a separate agreement was signed for the renewal of the national collective bargaining agreement for metalworkers; the agreement provides for wage increases for the years 2010 to 2012.

## HEALTH, SAFETY AND THE ENVIRONMENT

For the IMA Group, safety and protecting the working environment is pursued through full compliance with current legislation and, 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.

During 2009 there was continued investment in personnel training and information. In particular it should be noted that a training and information course was organised and held for delegated employers and management, as prescribed by the current legislation. In fact within the company compliance with safety regulations is enforced with the "front line" involvement of all heads of production facilities. This means that the parts of the business managed by the

latter are organised and managed with the fundamental principle of ensuring the safety of their workforce and the preventive analysis of all potential risk factors.

Another focal point of the management of Group companies during 2009, continuing the policies pursued to date, was the correct and complete settlement of the operating expenses of third party suppliers, who through subcontractor agreements work and operate at company premises: management guidelines require the prompt carrying out of on-site surveys prior to the execution of works, joint analysis of the risks of the same, with particular reference to those requiring proactive intervention and the co-ordination and implementation of relevant prevention and safety measures deemed necessary (with for instance the appropriate compilation of the documentation required under the current regulations by the "Documento di Valutazione dei Rischi da Interferenze - D.U.V.R.I." (the Risk Assessment Document).

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

In terms of social responsibility and the local areas in which we operate, the Group is committed to maintaining a high level of safety and environmental protection.

#### RELATED-PARTY TRANSACTIONS

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. Significant transactions are approved by the Board of Directors, which explains the reasons for them and the benefits to the Group. 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 33 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 2009 are summarized below on a comparative basis:

in millions of euros	2009		2008		Change %
	Amount	%	Amount	%	
<b>Revenues</b>	<b>111.14</b>		<b>127.26</b>		<b>(12.7)</b>
Cost of sales	(75.05)	67.5	(88.39)	69.5	
<b>Gross industrial income</b>	<b>36.09</b>	<b>32.5</b>	<b>38.87</b>	<b>30.5</b>	<b>(7.2)</b>
R&D costs	(4.01)		(3.83)		
Sales costs	(12.35)		(14.82)		
General and administrative costs	(9.99)		(11.38)		
<b>Operating profit before writedowns/impairment/ non-recurring items (EBITA)</b>	<b>9.74</b>	<b>8.8</b>	<b>8.84</b>	<b>6.9</b>	<b>10.2</b>
Writedowns/Impairment adjustments	(0.97)		(1.45)		
Non-recurring items	3.89		0.50		
<b>Operating profit (EBIT)</b>	<b>12.66</b>	<b>11.4</b>	<b>7.89</b>	<b>6.2</b>	<b>60.5</b>
Net financial income (expense)	26.14		0.16		
<b>Profit before tax</b>	<b>38.80</b>	<b>34.9</b>	<b>8.05</b>	<b>6.3</b>	<b>n.s.</b>
Income taxes	(5.48)		(1.44)		
<b>Net profit from continuing operations</b>	<b>33.32</b>	<b>30.0</b>	<b>6.61</b>	<b>5.2</b>	<b>n.s.</b>
Net profit from discontinued operations/ disposal groups	-		0.78		
<b>Net profit for the year</b>	<b>33.32</b>	<b>30.0</b>	<b>7.39</b>	<b>5.8</b>	<b>350.9</b>
<b>Gross operating profit (EBITDA)</b>	<b>18.60</b>	<b>16.7</b>	<b>15.76</b>	<b>12.4</b>	<b>18.0</b>
<b>Order book</b>	<b>42.19</b>		<b>39.35</b>		<b>7.2</b>

## REVENUES BY SECTOR

in millions of euros	2009		2008		Change %
	Amount	%	Amount	%	
Pharmaceutical packaging	52.07	46.9	55.89	43.9	(6.8)
Pharmaceutical processing	59.07	53.1	71.37	56.1	(17.2)
<b>Total</b>	<b>111.14</b>	<b>100.0</b>	<b>127.26</b>	<b>100.0</b>	<b>(12.7)</b>

The fall in revenues by 16.12 million euros was mainly due to a slight reduction in the revenues contributed by the processing segment.

With regard to revenues by segment:

- the pharmaceutical packaging segment experienced slightly lower revenues compared with the previous year, as a result of the reduced order book during the first half of the year;

- the revenues of the pharmaceuticals processing segment fell by 17.2% due to the matters explained above and lower volumes.

## REVENUES BY GEOGRAPHICAL AREA

in millions of euros	2009		2008		Change %
	Amount	%	Amount	%	
European Union (excluding Italy)	39.95	35.9	51.54	40.5	(22.5)
Other European countries	9.57	8.6	18.85	14.8	(49.2)
North America	15.30	13.8	12.91	10.2	18.5
Asia & Middle East	13.57	12.2	11.21	8.8	21.1
Other countries	2.13	1.9	5.74	4.5	(62.9)
<b>Total foreign markets</b>	<b>80.52</b>	<b>72.4</b>	<b>100.25</b>	<b>78.8</b>	<b>(19.7)</b>
Italy	30.62	27.6	27.01	21.2	13.4
<b>Total</b>	<b>111.14</b>	<b>100.0</b>	<b>127.26</b>	<b>100.0</b>	<b>(12.7)</b>

More than 72% of revenues came from outside Italy, substantially in line with 2008. 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 has been a slight increase in North America and Asia whilst the European Union and other European countries experienced difficult market conditions.

## GROSS INDUSTRIAL INCOME

Gross industrial income suffered a slight reduction as a result of lower volumes, but improving as a proportion of revenues by around 2 percentage points compared with the previous year.

This slight increase reflects the more favourable mix of products sold during the year and greater productive efficiency as a result of the production process optimisation programme.

## R&D COSTS

R&D costs amounted to 4.01 million euros during the year (3.83 million euros in 2008) substantially in line with the previous year. This item only includes 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 12.35 million euros, compared with 14.82 million euros in 2008. 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 fell from 11.38 million euros in 2008 to 9.99 million euros in 2009. This decrease was primarily due to a careful cost control policy that more than offset the normal increase in labour costs.

## OPERATING PROFIT

EBITA was slightly higher than the previous year as a result of holding down fixed costs. Operating profit rose to 12.66 million euros compared with 7.89 million euros in 2008, benefiting by 0.09 million euros from tax credits for R&D expenditure conducted in 2008 and by 3.80 million euros from capital gains as a result of the sale of buildings. In the previous year there were R&D tax credits of 0.50 million euros.

The improvements mentioned were the result of cost containment measures and increased production efficiency. There is however still room for improvement in the Company's earnings performance, especially since there are internal areas and processes whose efficiency can and must be significantly improved.

## NET FINANCIAL INCOME (EXPENSE)

Net financial income, discussed further in the notes to the financial statements, amounted to 26.14 million euros (0.16 million euros in 2008).

The most significant items are discussed below:

- dividends received from subsidiaries amounted to 34.52 million euros in 2009 compared with 6.74 million euros in the previous year;
- interest paid on debt servicing, including discounting interest, diminished by 3.37 million euros (from 8.15 million euros in 2008 to 4.78 million euros in 2009) largely as a result of reduced interest rates and lower borrowing in the year;
- financial expense in 2009 includes the 4.61 million euro writedown of the investment in Pierrel S.p.A.

## NET PROFIT

The profit for the year was 33.32 million euros (7.39 million euros in 2008), net of income taxes of 5.48 million euros (1.44 million euros in 2008).

The change in profit before tax compared with the previous year is essentially due to the increase in dividends received.

The lower impact of taxation on the pre-tax result was mainly due to an increase in tax-exempt income, especially the dividends received from subsidiaries, with respect to the prior year.

## BALANCE SHEET AND FINANCIAL POSITION

The following main items in the balance sheet and financial position are equivalent to those reported in the balance sheet presented in the section entitled "Financial statements": inventories, property, plant and equipment, intangible assets and equity.

The item "Other, net" mainly includes amounts due to employees, income tax liabilities and provisions for risks and charges, while the severance obligation and other provisions mainly includes the provision for severance indemnities.

The company's balance sheet and financial position at 31 December 2009 are summarized below:

in millions of euros	31.12.2009		31.12.2008		Change %
	Amount	%	Amount	%	
Trade receivables	36.95	21.3	49.94	23.1	(26.0)
Inventories	30.32	17.4	29.32	13.6	3.4
Trade payables	(33.36)	(19.2)	(49.43)	(22.9)	(32.5)
Other, net	(15.10)	(8.7)	1.60	0.7	n.s.
<b>Working capital</b>	<b>18.81</b>	<b>10.8</b>	<b>31.43</b>	<b>14.5</b>	<b>(40.2)</b>
Property, plant and equipment	16.96	9.8	58.74	27.2	(71.1)
Intangible assets	17.88	10.3	17.06	7.9	4.8
Investments	127.07	73.2	118.78	55.0	7.0
<b>Non-current assets</b>	<b>161.91</b>	<b>93.3</b>	<b>194.58</b>	<b>90.1</b>	<b>(16.8)</b>
Provision for severance indemnities and other provisions	(7.19)	(4.1)	(9.94)	(4.6)	(27.7)
<b>Net capital employed</b>	<b>173.53</b>	<b>100.0</b>	<b>216.07</b>	<b>100.0</b>	<b>(19.7)</b>

#### FINANCED BY:

<b>Net debt</b>	<b>95.69</b>	<b>55.1</b>	<b>142.64</b>	<b>66.0</b>	<b>(32.9)</b>
<b>Equity</b>	<b>77.84</b>	<b>44.9</b>	<b>73.43</b>	<b>34.0</b>	<b>6.0</b>
<b>Total sources of financing</b>	<b>173.53</b>	<b>100.0</b>	<b>216.07</b>	<b>100.0</b>	<b>(19.7)</b>

## WORKING CAPITAL

Working capital at 31 December 2009 amounted to 18.81 million euros, down from its level in 2008 (31.43 million euros). The elements of this change are discussed below:

- trade receivables decreased by 12.99 million euros from 49.94 million euros at 31 December 2008 to 36.95 million euros, also as a result of lower sales volumes;
- inventories increased by 1.00 million euros (from 29.32 million euros in 2008 to 30.32 million euros in 2009);
- trade payables, including advances from customers, decreased by 16.07 million euros, from 49.43 million euros at 31 December 2008 to 33.36 million euros at the end of 2009.

## NON-CURRENT ASSETS

In total, non-current assets decreased by 32.67 million euros compared with 31 December 2008. As part of this aggregate:

- equity investments increased by 8.29 million euros largely as a result of the increase in the holding in Sirio S.p.A. by 3.63 million euros, the acquisition of stakes in InterMedia Holding S.p.A. and InterMedia Finance S.p.A. for a total of 4.01 million euros, an increase of 2.70 million euros in the investment in Zanchetta S.r.l. and the reduction of 2.54 million euros as a result of the disposal of the holding in Infracom Consulting S.r.l.;
- property, plant and equipment and intangible assets, net of accumulated depreciation and amortization, decreased by 40.96 million euros on 31 December 2008, 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	3.42	3.22	6.64
Net book value of disposals	(41.65)	(0.01)	(41.66)
Amortization and depreciation charges for the year	(3.55)	(1.42)	(4.97)
Writedowns/Impairment adjustments	-	(0.97)	(0.97)
<b>Total</b>	<b>(41.78)</b>	<b>0.82</b>	<b>(40.96)</b>

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

**NET CAPITAL EMPLOYED**

Compared with 31 December 2008, capital employed net of operating liabilities decreased by 42.54 million euros to 173.53 million euros for the reasons described above.

**NET DEBT**

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. At 31 December 2008, non-current financial assets were represented by investments in securities and financial receivables. The figure differs from that reported in the balance sheet since it does not include equity investments in other companies.

Net debt at 31 December 2009 amounts to 95.69 million euros and breaks down as follows:

in millions of euros	31.12.2009	31.12.2008
A. Cash and cash equivalents	(26.20)	(9.80)
B. Other cash equivalents	-	-
C. Investments in securities	(0.88)	(0.93)
<b>D. Liquidity (A)+(B)+(C)</b>	<b>(27.08)</b>	<b>(10.73)</b>
<b>E. Current financial receivables</b>	<b>(27.43)</b>	<b>(29.02)</b>
F. Current payables to banks	47.48	51.46
G. Current portion of non-current bank payables	28.79	32.16
H. Other current financial payables	1.07	19.25
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>77.34</b>	<b>102.87</b>
<b>J. Net current financial debt (D)+(E)+(I)</b>	<b>22.83</b>	<b>63.12</b>
K. Non-current portion of non-current bank payables	71.56	81.11
L. Non-current financial assets	-	(3.96)
M. Other non-current financial payables	1.30	2.37
<b>N. Non-current financial debt (K)+(L)+(M)</b>	<b>72.86</b>	<b>79.52</b>
<b>O. Net financial debt (J)+(N)</b>	<b>95.69</b>	<b>142.64</b>

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

Net debt amounted to 95.69 million euros, down by 46.95 million euros from 142.64 million euros at 31 December 2008. This decrease resulted largely from the sale of buildings and dividends received from subsidiary companies.

Since we plan to maintain the same level of investment and continue to hold down working capital, good cash generation can be expected in 2010, also in view of the forecast improvement in performance.

**SHAREHOLDERS' EQUITY**

Equity at 31 December 2009 amounted to 77.84 million euro, an increase of 4.42 million euros for the year, equal to the net effect of the following movements:

Dividends paid during the year	(30.50)
Purchase and sale of treasury shares	(0.72)
Valuation of financial instruments at equity	2.32
Net profit	33.32
<b>Total</b>	<b>4.42</b>

## INVESTMENT

During 2009, the Company invested 3.22 million euros (2.52 million euros in 2008) in intangible assets and 3.42 million euros (6.88 million euros in 2008) in property, plant and equipment, for a total of 6.64 million euros (9.40 million euros in 2008).

Spending on intangible assets mainly related to applications, administrative and technical software (2.23 million euros) and the capitalization of entirely new products that will generate economic benefits in future years ( 0.84 million euros). Capital expenditure on property, plant and equipment mainly related to plant and machinery (1.09 million euros) and buildings (1.51 million euros) in respect of improvements made to certain buildings and plant owned by the Company, as well as to the purchase of machinery needed for production.

The investment in buildings and plant includes 1.30 million euros relating to the three factories involved in the property spin-offs being implemented by the Group to quickly obtain the financial resources needed to continue pursuit of its policy of growth by acquisitions.

The reduction in capital expenditure in 2009 compared with the previous year is mainly attributable to spending for buildings and plant and machinery.

## 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 2009, the average number of IMA employees came to 707, compared with 709 in 2008.

The breakdown of the workforce by grade is summarized below:

	31.12.2009	31.12.2008
Management	28	27
Office workers	494	493
Production workers	185	189
<b>Total</b>	<b>707</b>	<b>709</b>

The excellent educational standard of the human resources employed by the Company is demonstrated by the fact that around 85% 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	12.1%	49.4%	50.6%
Research and development	15.1%	97.2%	2.8%
Production	46.4%	91.7%	8.3%
Central and administrative functions	26.4%	46.8%	53.2%
<b>Total</b>	<b>100.0%</b>	<b>75.6%</b>	<b>24.4%</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 24.4% 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 44.81 million euros, compared with 45.11 million euros in the prior year.

Personnel costs, taking into account the major elements of compensation, remain largely unchanged compared with the previous year as the increase of around 3.2% can be attributed to pay rises under the national collective bargaining agreement for metalworkers and related bonus agreement, which were fully offset by the reduction in overtime working and by a greater use of accrued holidays.

## 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 constructive relationship with the trade unions. Thanks to this consolidated relationship, this past year was also largely free from disputes.

On 15 October 2009, a separate agreement was signed for the renewal of the national collective bargaining agreement for metalworkers; this agreement provides for wage increases for the years 2010 to 2012.

## 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.

During 2009 there was continued sustained investment in personnel training and information for a total of 400 man/hours. In particular it should be noted that a training and information course was organised and held for delegated employers and management, as prescribed by the current legislation. In fact within the company compliance with safety regulations is enforced with the "front line" involvement of all heads of production facilities; this means that the parts of the business managed by the latter are organised and managed with the fundamental principle of ensuring the safety of their workforce and the preventive analysis of all potential risk factors.

Another focal point of activities during 2009, continuing the policies pursued to date, was the correct and complete settlement of the operating expenses of third party suppliers, who through subcontractor agreements work and operate at company premises: management guidelines require the prompt carrying out of on-site surveys prior to the execution of works, joint analysis of the risks of the same, with particular reference to those requiring proactive

intervention and the co-ordination and implementation of relevant prevention and safety measures deemed necessary (with for instance the appropriate compilation of the documentation required under the current regulations by the "Documento di Valutazione dei Rischi da Interferenze - D.U.V.R.I." (the Risk Assessment Document).

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.

The accident frequency and seriousness indices, respectively 11.22 and 0.101, 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.

In terms of social responsibility and the local areas in which we operate, the Company is committed to maintaining a high level of safety and environmental protection. Specifically, the Company did not cause any damage to the environment during 2009.

As regards the 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 arms'-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 arms' length basis; none of these transactions can be considered atypical.

Further information is provided in Note 30 to the Company's financial statements.

#### RELATED-PARTY TRANSACTIONS

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. Significant transactions are approved by the Board of Directors, which explains the reasons for them and the benefits to the Company. 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 arms'-length terms.

Transactions with related parties are described more fully in Note 30 to the Company's financial statements.

**COMPANY'S LOCATIONS  
OF OPERATION**

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

Via Tosarelli, 184 Castenaso (BO) Head office

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

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

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

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

Via Romagnoli, 2 Bentivoglio (BO) Plant

Via Romagnoli, 11/2 Bentivoglio (BO) Plant

Via Nobel, 1 Ozzano dell'Emilia (BO) Plant

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

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## OTHER INFORMATION

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### SIGNIFICANT EVENTS AFTER YEAR-END

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

- in January 2010 IMA Safe S.r.l. purchased the residual 10% of Precision Gears Ltd., an Indian company, for 1.37 million euros;
- on 25 January 2010 the Regional Tax Office of Emilia Romagna began a tax audit of the Parent Company for 2007 income tax, VAT, IRAP (the regional tax on business activities) and other taxes;
- on 28 January 2010 the Shareholders' Meeting of IMA S.p.A. approved an increase in the number of board members from 11 to 12 and appointed Enrico Ricotta, founding partner of Mandarin Capital Partner, as a director;
- 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 machinery, for 0.24 million euros. This investment enables the Group to take a stake in a supplier that plays an important role in its own operations;
- 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 3.4 million euros and 5.6 million 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 S.p.A. 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 inefficiencies in the management of cash flows;
- on 19 March 2010, 255,243 treasury shares were sold at a price of 13.90 euros each. At the date the financial statements were prepared, the Parent Company no longer held any treasury shares;
- during March 2010, 225,000 shares in Pierrel S.p.A. were sold, so the Parent Company now holds 650,000 shares.

## OUTLOOK FOR THE CURRENT YEAR

The Group turned in another excellent performance in 2009, despite the sharp contraction and recession in world economic activity. Although the order book is lower than at the end of 2008, it still shows a good level of contracts in terms of both quality and quantity. The number of negotiations in progress and the orders booked in the first quarter of 2010, which are higher than in the year-earlier period, enable us to forecast moderate growth in revenues in 2010, which are expected to amount to around 530 million euros and a gross operating profit (EBITDA) in line with that of 2009 at around 85 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 2009), 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

At 31 December 2009 treasury shares totalled 3.41 million euros, represented by 255,243 shares with a par value of 0.13 million euros. The official market value at 30 December 2009 was 3.28 million euros.

During the year, IMA S.p.A. carried out transactions in equity instruments by acquiring 57,508 treasury shares for 0.72 million euros, as described in Note 13 to the consolidated financial statements and Note 12 to the financial statements of IMA S.p.A.

## 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 as the Compliance Model was adopted, a Code of Ethics was also adopted and the Supervisory Board was appointed

The Supervisory Board, which monitors compliance within the organisation, is made up of a lawyer who has a comprehensive understanding of the Company's organizational structure, a professional with economics training with specific understanding of managing cash flows and a corporate advisor experienced in Supervisory Boards with special skills in corporate procedures and controls.

The Compliance Model undergoes periodic revisions both to adopt the latest regulations developments and to keep abreast of what has emerged in actual application.

The Compliance Model and the Code of Ethics can be viewed on the Company's website: <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 (<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**

- Fin Vacchi Finanziaria Vacchi S.p.A. (Director)
- 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**

- Boato Holding S.p.A. (Director)
- Boato International S.r.l. (Director)
- Costruzioni Camera Donati S.p.A. (Auditor)
- Emil Europe '92 S.r.l. in liquidation (Chairman of the Board of Statutory Auditors)
- Fariniundici S.r.l. (Sole Director)
- Finvetro S.p.A. (Director)
- Fondazione Cassa di Risparmio in Bologna (Statutory Auditor)
- Opera SGR S.p.A. (Director)
- Tesmec S.p.A. (Director)
- Vetriere Riunite 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)
- Fin Vacchi Finanziaria Vacchi S.p.A. (Director)
- 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)
- Sinergia Sistemi S.p.A. (Director)
- SO.FI.M.A. S.p.A. (Director)

**Alberto Vacchi**

- ALVA S.p.A. (Sole Director)
- Fin Vacchi Finanziaria Vacchi S.p.A. (Director)
- SO.FI.M.A. S.p.A. (Director)
- Gavignana S.r.l. (Director)
- Consorzio Bolognese Energia Galvani S.c.r.l. (Chairman)
- Morosina S.p.A. (Sole Director)
- Nemo Investimenti S.r.l. (Sole Director)
- Valle Bentivoglia S.r.l. (Sole Director)
- Editoriale Corriere di Bologna S.r.l. (Director)
- Società Agricola Zio S.r.l. (Chairman)
- Lorenz Biotech S.p.A. (Chairman)

**Gianluca Vacchi**

- Boato Holding S.p.A. (Chairman)
- Boato International S.r.l. (Chairman)
- Cofiva Holding S.p.A. (Sole Director)
- Cofiva S.A. (Director)

- Cool S.r.l. (Director)
- Eleven Finanziaria S.r.l. (Sole Director)
- Fin Vacchi Finanziaria Vacchi S.p.A. (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)
- Fin Vacchi Finanziaria Vacchi S.p.A. (Chairman)
- 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 S.r.l. (Sole Director)
- Santa Barbara S.r.l. (Director)

**Romano Volta**

- Datalogic S.p.A. (Chairman)
- Fondazione Cassa di Risparmio in Bologna (Shareholder and Vice Chairman of the Management Board)
- San Paolo IMI Fondi Chiusi SGR S.p.A. (Director)

In accordance with Art. 17 of the Articles of Association, on at least a quarterly basis Directors with delegated powers must provide the Board of Directors and the Board of Statutory Auditors, at the time of Board meetings or in a written communication, the information required under Art. 150 of the Consolidated Law on Financial Intermediation (Legislative Decree 58/98) and Art. 2381 of the Italian Civil Code.

Similarly, the committees with delegated powers provide adequate information to the Board of Directors and the Board of Statutory Auditors regarding any non-operating or unusual transactions or transactions with related parties, where the assessment and approval of such transactions are not reserved for the Board of Directors.

During 2009 the committees with delegated powers reported to the Board of Directors about the activities delegated to them at the first available Board meeting.

On 26 July 2006, the Board of Directors reserved the right of prior approval for transactions with related parties, including intercompany transactions, except for typical or ordinary transactions concluded on standard terms and conditions.

In 2006, the Board approved a special procedure designed to ensure the substantive and procedural propriety and transparency of “significant” transactions to be carried out. In this regard, the Board of Directors gives prior approval to significant transactions after being informed of their terms, origin, scope and the assessment procedure followed, as well as the reasoning, the advantages and possible risks for IMA. In addition, depending on the nature, value and other characteristics of the transaction, the Board of Directors must first seek the prior opinion of the Internal Control Committee, availing itself of the assistance of experts if needed to conclude the transaction.

Certain members of the Board of Statutory Auditors of IMA, in compliance with the recommendation of Consob n. 97001574 of 20/02/1997, also hold positions in the following subsidiaries: CO.MA.DI.S. S.p.A., IMA Life S.r.l., IMA Safe S.r.l. and IMA Flavour S.r.l., facilitating the acquisition of the information necessary to perform their duties to the Board of Statutory 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 2008	Number of shares purchased	Number of shares sold	Number of shares held at the end of 2009
Piero Aicardi	IMA S.p.A.	9,200	–	–	9,200
Massimo Ferioli	IMA S.p.A.	25,000	–	25,000	–
Giancarlo Folco	IMA S.p.A.	650,000	650,000	–	1,300,000
Andrea Malagoli	IMA S.p.A.	350,000	7,900	357,900	–
Giovanni Pecchioli	IMA S.p.A.	–	7,500	7,500	–
Luca Poggi	IMA S.p.A.	200,000	–	200,000	–
Alberto Vacchi	IMA S.p.A.	454,003	75,997	530,000	–
Gianluca Vacchi	IMA S.p.A.	1,400,365	–	504,000	896,365
Marco Vacchi	IMA S.p.A.	8,000	12,394	–	20,394
Romano Volta	IMA S.p.A.	42,000	8,000	–	50,000
Gaetano Castiglione (*)	IMA Flavour S.r.l.	45,000	–	–	45,000
Giovanni Pecchioli (*)	IMA Life S.r.l.	770,000	–	–	770,000

(\*) 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 Consolidated Law) and Art. 89 bis of the Issuers’ Regulation, 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 (<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) Consolidated Law)

Share capital at 31 December 2009 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), Consolidated Law)*

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), Consolidated Law)*

As of the date of this Report, based on the shareholders' register and the communications pursuant to Art. 120 of the Consolidated Law 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.	3.101%	3.101%
Giancarlo Folco	Folco Fin.Immobiliare S.r.l.	3.812%	3.812%
Gianluca Vacchi	G.V. Finanziaria S.r.l.	2.629%	2.629%

*(\*) 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), Consolidated Law)*

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), Consolidated Law)*

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

*-f- Restrictions on voting rights (Art. 123 bis, paragraph 1(f), Consolidated Law)*

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

*-g- Shareholders' agreements (Art. 123 bis, paragraph 1(g), Consolidated Law)*

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.M.A. Società Finanziaria Macchine Automatiche S.p.A. which is of relevance under Art. 122 of the Consolidated Law; 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' Registry 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 propose 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.M.A. 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.M.A. 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.

This shareholders' agreement was signed by the parties at the same time as the share transfers were notified to the market on 3 December 2009.

*-h- Change of control clauses (Art. 123 bis, paragraph 1(h), Consolidated Law)*

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), Consolidated Law)*

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

On 28 April 2009, 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 authorizing 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 2009 the Company took the opportunity, as authorized, to acquire its own shares and as at 31 December 2009 held 255,243 treasury shares, equal to 0.749% of the Share capital.

**INFORMATION REQUIRED  
BY ART. 37, PARAGRAPH 2 OF  
THE ISSUERS REGULATION**

Management and coordination activity

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.

**INFORMATION REQUIRED  
BY ARTS. 36 AND 39 OF  
THE ISSUERS REGULATION**

With reference to the "Conditions for the listing of shares in companies that control companies established and regulated under the laws of non-EU countries" referred to in Art. 36 of the Consob Market Regulations, the IMA Group prepared a plan for compliance during 2008.

Although at the time eleven subsidiaries of the IMA Group were based in five non-EU countries, the scope of application of the compliance plan only related to two subsidiaries, namely IMA North America Inc. and IMA Edwards Inc., both based in the USA; in particular, just these two were classified as materially significant, pursuant to paragraph 2 of Art. 36.

The following foreign companies based outside the European Union have recently become part of the IMA Group: Imautomatiche Do Brasil Representações de Maquinas Ltda. and PSH MKCS Inc., the former based in Brazil and the latter based in the USA.

Arts. 36 et seq. of the Consob Market Regulations require the compliance plan to be updated within six months of acquiring control over materially significant non-EU companies.

In this case, analysis of the accounting information for these two, newly-formed companies has shown that they are not materially significant for the purposes of the above regulation.

A similar analysis has also been carried out in relation to the other IMA Group companies based in non-EU countries; this showed that these members of the Group continue to be insignificant, not having become materially significant during the period. Accordingly, there has not been any need to modify the existing compliance plan.



CONSOLIDATED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2009

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

## CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

(THOUSANDS OF EUROS)

ASSETS	Note	31 December 2009	31 December 2008
<b>NON-CURRENT ASSETS</b>			
<i>Property, plant and equipment</i>	2	28,043	70,960
<i>Intangible assets</i>	3	115,367	117,387
<i>Investments accounted for using the equity method</i>	4	10,224	6,155
<i>Financial assets</i>	5	8,810	11,812
<i>Receivables from others</i>	6	521	518
<i>Derivative financial instruments</i>	7	1	118
<i>Deferred tax assets</i>	8	14,355	13,823
<b>TOTAL NON-CURRENT ASSETS</b>		<b>177,321</b>	<b>220,773</b>
<b>CURRENT ASSETS</b>			
<i>Inventories</i>	9	140,020	160,231
<i>Trade and other receivables</i>	10	114,665	131,704
<i>Income tax receivables</i>	11	180	118
<i>Financial assets</i>	5	879	1,130
<i>Derivative financial instruments</i>	7	–	2,094
<i>Cash and cash equivalents</i>	12	100,187	76,366
<b>TOTAL CURRENT ASSETS</b>		<b>355,931</b>	<b>371,643</b>
<b>TOTAL ASSETS</b>		<b>533,252</b>	<b>592,416</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<i>Share capital</i>	13	17,732	17,732
<i>Share premium reserve</i>		15,472	16,382
<i>Treasury shares</i>	13	(3,409)	(2,687)
<i>Translation reserve</i>		(3,654)	(3,341)
<i>Fair value reserve</i>	14	(374)	(1,838)
<i>Other reserves</i>	15	6,073	21,502
<i>Retained earnings</i>		58,113	30,465
<i>Net profit (loss) for the period</i>		36,857	41,811
<b>Total capital and reserves pertaining to the Group</b>		<b>126,810</b>	<b>120,026</b>
<i>Reserves pertaining to minority interests</i>		2,742	2,594
<i>Profit pertaining to minority interests</i>		649	310
<b>Total minority interests</b>		<b>3,391</b>	<b>2,904</b>
<b>EQUITY PERTAINING TO THE GROUP AND MINORITY INTERESTS</b>		<b>130,201</b>	<b>122,930</b>
<b>NON-CURRENT LIABILITIES</b>			
<i>Borrowings</i>	16	90,962	93,751
<i>Severance and pension obligations</i>	17	17,184	17,848
<i>Provisions for risks and charges</i>	18	1,580	1,866
<i>Derivative financial instruments</i>	7	570	–
<i>Deferred tax liabilities</i>	8	12,118	18,046
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>122,414</b>	<b>131,511</b>
<b>CURRENT LIABILITIES</b>			
<i>Borrowings</i>	16	124,573	123,303
<i>Trade and other payables</i>	19	127,950	196,305
<i>Income tax liabilities</i>	11	12,250	6,211
<i>Provisions for risks and charges</i>	18	15,864	11,970
<i>Derivative financial instruments</i>	7	–	186
<b>TOTAL CURRENT LIABILITIES</b>		<b>280,637</b>	<b>337,975</b>
<b>TOTAL LIABILITIES</b>		<b>403,051</b>	<b>469,486</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>533,252</b>	<b>592,416</b>

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION ARE SHOWN IN NOTE 33 - RELATED-PARTY TRANSACTIONS.

CONSOLIDATED INCOME STATEMENT

(THOUSANDS OF EUROS)

INCOME STATEMENT	Note	2009	2008
<b>REVENUES</b>	1	505,774	547,168
Other revenues	20	11,428	7,769
- of which: effect of non-recurring items	34	4,319	3,122
<b>OPERATING COSTS</b>			
Change in work in progress, semifinished and finished goods		(18,605)	18,261
Change in inventory of raw, ancillary and consumable materials and goods for resale		(1,985)	942
Cost of raw, ancillary and consumable materials and goods for resale		(141,591)	(208,334)
Services, rentals and leases	21	(101,265)	(114,917)
Personnel costs	22	(164,459)	(155,102)
- of which: effect of non-recurring items	34	(3,788)	-
Depreciation and amortization expense	23	(15,212)	(17,388)
Provisions for risks and charges		239	(3,088)
Other operating costs	24	(3,186)	(3,383)
<b>TOTAL OPERATING COSTS</b>		<b>(446,064)</b>	<b>(483,009)</b>
<b>OPERATING PROFIT</b>	1	<b>71,138</b>	<b>71,928</b>
- of which: effect of non-recurring items	34	531	3,122
<b>FINANCIAL INCOME AND EXPENSE</b>			
Financial income	25	11,636	10,316
Financial expense	26	(21,727)	(21,587)
<b>TOTAL FINANCIAL INCOME AND EXPENSE</b>		<b>(10,091)</b>	<b>(11,271)</b>
<b>PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>		<b>14</b>	<b>(283)</b>
<b>PROFIT (LOSS) BEFORE TAX</b>		<b>61,061</b>	<b>60,374</b>
INCOME TAXES FOR THE YEAR	27	(23,555)	(19,030)
<b>NET PROFIT FROM CONTINUING OPERATIONS</b>		<b>37,506</b>	<b>41,344</b>
<b>NET PROFIT FROM DISCONTINUED OPERATIONS/DISPOSAL GROUPS</b>	29	<b>-</b>	<b>777</b>
<b>NET PROFIT FOR THE YEAR</b>		<b>37,506</b>	<b>42,121</b>
<b>ATTRIBUTABLE TO:</b>			
<b>PARENT COMPANY SHAREHOLDERS</b>		36,857	41,811
<b>MINORITY INTERESTS</b>		649	310
		<b>37,506</b>	<b>42,121</b>
<b>EARNINGS PER SHARE (in euros)</b>	28	<b>1.09</b>	<b>1.23</b>
- of which: from continuing operations		1.09	1.21
- of which: from discontinued operations/disposal groups		-	0.02

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE CONSOLIDATED INCOME STATEMENT ARE SHOWN IN NOTE 33 - RELATED-PARTY TRANSACTIONS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(THOUSANDS OF EUROS)

	Note	2009	2008
<b>Net profit for the year</b>		37,506	42,121
<i>Exchange rate gains (losses) on the translation of foreign currency financial statements</i>		(368)	(437)
<i>Gains (losses) on financial assets available for sale</i>	14	3,909	(3,089)
<i>Gains (losses) on cash flow hedges</i>	14	(2,481)	1,243
<i>Tax effect</i>	14	18	(1)
Gains (losses) booked to equity		1,078	(2,284)
<b>Total comprehensive income for the year</b>		<b>38,584</b>	<b>39,837</b>
<b>Attributable to:</b>			
<b>Parent Company shareholders</b>		38,008	39,391
<b>Minority interests</b>		576	446
		<b>38,584</b>	<b>39,837</b>

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 01.01.2008</b>	17,732	16,382	(2,744)	(2,767)	8	14,602	26,627	39,461	109,301	1,061	110,362
Distribution of dividends	-	-	-	-	-	-	-	(28,723)	(28,723)	-	(28,723)
Allocation of earnings for 2007	-	-	-	-	-	6,900	3,838	(10,738)	-	-	-
Changes in minority interests	-	-	-	-	-	-	-	-	-	1,397	1,397
Purchase and sale of treasury shares	-	-	57	-	-	-	-	-	57	-	57
Total comprehensive income for the year	-	-	-	(574)	(1,846)	-	-	41,811	39,391	446	39,837
<b>Balances at 31.12.2008</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)	-	-	-
Change 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

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

(THOUSANDS OF EUROS)

	Note	31 December 2009	31 December 2008
<b>OPERATING ACTIVITIES</b>			
Net profit (loss) for the year		36,857	41,811
Adjustments for:			
- Depreciation and amortization	23	13,867	14,333
- (Reversals) or impairment of non-current assets	23	971	1,451
- Capital (gains) losses on disposal of non-current assets		(25)	56
- Changes in provisions for risks and charges and staff severance obligations		(914)	1,031
- Non-recurring items	34	(531)	(3,122)
- Unrealized losses (gains) on exchange rate differences	26	91	2,056
- Other non-monetary changes		114	6
- Adjustments to the value of financial assets	26	4,614	-
- Income taxes	27	23,555	19,386
- Capital gains on the disposal of discontinued activities		-	(1,133)
- Minority interests		649	310
- Result from investments accounted for using the equity method		(14)	283
Operating profit (loss) before changes in working capital		79,234	76,468
(Increase) decrease in trade and other receivables		17,794	31,918
(Increase) decrease in inventories		20,909	(19,339)
Increase (decrease) in trade and other payables		(70,386)	(18,739)
Income taxes paid		(21,257)	(25,792)
<b>CASH FLOW GENERATED (ABSORBED) BY OPERATING ACTIVITIES (A)</b>		<b>26,294</b>	<b>44,516</b>
<b>INVESTING ACTIVITIES</b>			
Investments in property, plant and equipment		(4,852)	(7,802)
Investments in intangible assets		(6,463)	(6,658)
Exchange rate differences on property, plant and equipment and intangible assets		216	168
Acquisition of business divisions/companies	30	(2,638)	(48,255)
Purchase of equity investments		(4,304)	(2,686)
Repayment of finance lease debts		(1,115)	(1,034)
Capital received for newly issued quotas		-	3,950
Proceeds from sale of investments		459	-
Proceeds from sale of non-current assets	2	46,059	202
Net change in financial assets and other non-current receivables		2,415	(1,080)
Changes in reserves pertaining to minority interests		124	43
<b>CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES (B)</b>		<b>29,901</b>	<b>(63,152)</b>
<b>FINANCING ACTIVITIES</b>			
Granting of loans	16	40,486	53,500
Repayment of borrowings	16	(37,628)	(23,956)
Increase (decrease) in other payables to banks		3,307	32,846
Dividends paid		(30,844)	(28,723)
(Purchase) and sale of treasury shares	13	(722)	57
Translation of financial statements in foreign currency		(313)	(733)
Payment of interest		(7,771)	(9,864)
Receipt of interest		1,111	861
<b>CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES (C)</b>		<b>(32,374)</b>	<b>23,988</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)</b>		<b>23,821</b>	<b>5,352</b>
<b>CASH AND CASH EQUIVALENTS AT START OF YEAR (E)</b>	12	<b>76,366</b>	<b>71,014</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (F=D+E)</b>	12	<b>100,187</b>	<b>76,366</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2009

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

## A) OVERVIEW

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), and is listed on the electronic stock exchange of Borsa Italiana S.p.A. in the "S.T.A.R." segment.

At 31 December 2009 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 2009 were prepared by the Board of Directors on 26 March 2010 for approval by the Shareholders' Meeting of 29 April 2010 and have been audited by PricewaterhouseCoopers S.p.A.

## B) GENERAL PREPARATION POLICIES

### 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. 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 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 2009 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                           | 30-40 | years |
| • Plant and machinery                 | 5-10  | years |
| • Industrial and commercial equipment | 4     | years |
| • Other assets                        | 3-9   | 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. This provides that:

- 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 | 3-10   | years |
| • Software, licences and similar rights               | 5      | years |
| • Trademarks  | 10     | years |
| • Development costs                                   | 5 - 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

In accordance with IAS 39, financial assets are divided into four categories: financial assets at fair value through profit or 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 2009, 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 after 31 December 2006 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 2009 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.

The Parent Company IMA S.p.A. and its subsidiary companies CO.MA.DI.S. S.p.A., IMA Flavour S.r.l., IMA Life S.r.l., IMA Safe S.r.l. and Zanchetta S.r.l. participate in a domestic consolidated taxation mechanism. The consolidating company is SO.FI.M.A. S.p.A., the parent company of IMA S.p.A.

## 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	2009		2008	
	Final exchange rate	Average exchange rate for the year	Final exchange rate	Average exchange rate for the year
US dollar	0.69416	0.71696	0.71855	0.67992
Pound sterling	1.12600	1.12241	1.04987	1.25583
Indian rupee	0.01492	0.01485	0.01479	0.01569
Thai baht	0.02084	0.02092	0.02071	0.02063
Chinese yuan	0.10168	0.10496	0.10531	0.09781
Japanese yen	0.00751	0.00767	0.00793	0.00656
Brazilian real	0.39820	0.36135	n.a.	n.a.

## 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 are listed below. Changes in the conditions underlying the assumptions made may have a significant impact on the consolidated financial statements:

- Goodwill;
- Writedown of non-current assets;
- Construction contracts;
- Development costs;
- Deferred tax assets;
- Provisions for doubtful accounts;
- Provisions for risks and charges.

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.

## IMPLEMENTATION OF ACCOUNTING STANDARDS

### ACCOUNTING STANDARDS APPLIED

The accounting policies described above and applied when preparing these financial statements are essentially consistent with those adopted for the preparation of the financial statements at 31 December 2008.

The principal documents already endorsed by the EU and applied by the Group with effect from 1 January 2009 are IFRS 8 Operating Segments, which replaced IAS 14 Segment Information, and the revised IAS 1 Presentation of Financial Statements.

IFRS 8 requires reporting to be based on the information that management uses for making decisions about operating matters. The adoption of this standard has not significantly changed the segment information provided by the Group.

With regard to IAS 1, the new version of this standard requires all items of income and expenditure during the year to be presented in a single statement of comprehensive income or in two separate statements. The IMA Group has adopted the second of these two possibilities and has modified the statement of changes in consolidated equity accordingly.

Adoption of IAS 23 (Revised) Borrowing Costs, which abolished the option that made it possible to expense borrowing costs incurred in investing in qualifying assets, has not had any significant accounting impact.

#### ACCOUNTING STANDARDS ENDORSED THAT ARE NOT YET APPLIED

The process of drawing up and endorsing international accounting standards involves the IASB (International Accounting Standards Board) and the IFRIC (International Financial Reporting Interpretations Committee) in continual revisions of certain documents. Some of these revisions do not apply to the IMA Group or are not expected to have a significant impact.

The principal documents already endorsed by the EU and applicable 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. The amendment to IAS 27 establishes that changes in a shareholding that do not constitute a loss of control have to be treated as equity transactions and therefore booked to equity.

The Group has chosen not to adopt these standards in advance and is currently evaluating the effects of adopting them.

## 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 2009 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 31.

## 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>31.12.2009</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>
<b>31.12.2008</b>				
Borrowings	123,303	80,172	13,579	217,054
Commitments	12,204	17,209	10,876	40,289
Trade payables	109,820	–	–	109,820
<b>Total</b>	<b>245,327</b>	<b>97,381</b>	<b>24,455</b>	<b>367,163</b>

Further information on the composition of the above items is presented in Notes 16, 19 and 32.

At 31 December 2009 the Group had about 170 million euros available in unused lines of credit (118 million euros at 31 December 2008) and cash and cash equivalents of 100 million euros (76 million euros at 31 December 2008).

As to the equilibrium of working capital, especially the coverage of payables to suppliers, net trade receivables came to 101 million euros at 31 December 2009 (110 million euros at 31 December 2008).

## 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% €//\$	Other changes in FVR	- 5% €//\$	Other changes in FVR
<b>Financial assets:</b>						
Cash and cash equivalents	100,187	17,587	(837)	-	926	-
Trade and other receivables	114,665	33,788	(1,609)	-	1,778	-
Available for sale and financial receivables	9,689	-	-	-	-	-
Derivative financial instruments	1	-	-	-	-	-
Tax effect			-	-	-	-
			<b>(2,446)</b>	<b>-</b>	<b>2,704</b>	<b>-</b>
<b>Financial liabilities:</b>						
Borrowings	215,535	12,640	602	-	(665)	-
Trade and other payables	127,950	20,404	972	-	(1,074)	-
Derivative financial instruments	570	-	-	-	-	-
Tax effect			-	-	-	-
			<b>1,574</b>	<b>-</b>	<b>(1,739)</b>	<b>-</b>
<b>Total increases (decreases) for 2009</b>			<b>(872)</b>	<b>-</b>	<b>965</b>	<b>-</b>
<b>Total increases (decreases) for 2008 (*)</b>			<b>(819)</b>	<b>2,353</b>	<b>1,401</b>	<b>(2,998)</b>

(\*) 2008 variability parameters: +/-10% €//\$

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 2009 and 31 December 2008 (thousands of euros):

	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>

	Net trade receivables	Advances, taxes and other receivables	Trade payables	Advances received	Tax, employee and other payables
Euro	82,166	15,432	95,464	39,737	22,862
US dollar	20,039	806	6,297	10,522	2,818
Indian rupee	867	1,002	1,833	419	621
Pound sterling	80	78	906	142	266
Thai baht	5,554	1,300	2,247	-	107
Chinese yuan	1,182	930	2,251	2,492	815
Other	107	-	822	-	158
<b>Total</b>	<b>109,995</b>	<b>19,548</b>	<b>109,820</b>	<b>53,312</b>	<b>27,647</b>

Financial assets available for sale are denominated entirely 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)			
			+ 25 bp on € IRR		- 25 bp on € IRR	
			Profits (Losses)	Other changes in FVR	Profits (Losses)	Other changes in FVR
Financial assets:						
Cash and cash equivalents	100,187	27,355 (**)	68	-	(68)	-
Trade and other receivables	114,665	-	-	-	-	-
Available for sale and financial receivables	9,689	-	-	-	-	-
Derivative financial instruments	1	1	-	-	-	-
Tax effect			(19)	-	19	-
			<b>49</b>	<b>-</b>	<b>(49)</b>	<b>-</b>
Financial liabilities:						
Borrowings	215,535	221,102 (**)	(443)	-	443	-
Trade and other payables	127,950	-	-	-	-	-
Derivative financial instruments	570	570	-	365	-	(379)
Tax effect			122	-	(122)	-
			<b>(321)</b>	<b>365</b>	<b>321</b>	<b>(379)</b>
<b>Total increases (decreases) for 2009</b>			<b>(272)</b>	<b>365</b>	<b>272</b>	<b>(379)</b>
<b>Total increases (decreases) for 2008 (*)</b>			<b>(380)</b>	<b>334</b>	<b>393</b>	<b>(336)</b>

(\*) 2008 variability parameters +/- 50 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 capital 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 369 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.

	2009	2008
Net debt (A)	113,434	134,799
Equity (B)	130,201	122,930
Total capital (A)+(B)=(C)	243,635	257,729
<b>Gearing ratio (A)/(C)</b>	<b>47%</b>	<b>52%</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 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 2009 by fair value hierarchy level (thousands of euros):

	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 (call option)	-	-	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 2009, there were no transfers between the three levels of the fair value hierarchy laid down in IFRS 7.

## E) CONSOLIDATION PRINCIPLES

### Subsidiary

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 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 proportional 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 2009 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 changes in Group structure took place in 2009:

- January 2009 saw completion of the purchase of 30% of Brio Pharma Technologies Pvt. Ltd., an Indian company; this company has worked with IMA for a number of years promoting certain Group product lines on the Indian market;
- Powertransmission.it S.r.l. based at Castenaso (Bologna) was formed on 16 February 2009 in order to produce and sell mechanical components, assemblies and complete industrial plants, as well as to provide outsourcing services; the Parent Company holds 20% of this newly-formed company;
- the US subsidiary Packaging Systems Holdings Inc. purchased a line of business comprising the provision of technical assistance for freeze-dryers from MKCS Inc. on 1 April 2009. This acquisition was made via a new wholly-owned subsidiary, PSH MKCS Inc. with Head office in Winterville, North Carolina (USA);
- IMAUTOMATICHE Do Brasil Representacoes De Maquinas Ltda., based in Sao Paulo - Brazil, was formed in May 2009 as a 99.99%-held subsidiary of the Parent Company. This company sells the IMA Group's pharmaceutical products in Brazil;
- IMA S.p.A. sold its 30% interest in G.S. Divisione Verniciatura S.r.l. to third parties on 29 June 2009; this transaction did not generate significant costs for the Group;
- on 2 July 2009, IMA Life S.r.l. completed the purchase of a 51% interest in Pharmasiena Service S.r.l., which designs and manufactures systems for filling vials and syringes under sterile conditions. IMA Life S.r.l. also granted the sellers a put option for the sale of a further 19% of the company's share capital. During July, IMA Life S.r.l. subscribed 204 thousand euros to the increase in share capital authorized at the Extraordinary Shareholders' Meeting of Pharmasiena Service S.r.l. This amount has already been paid in.

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

**COMPANIES CONSOLIDATED  
USING THE LINE-BY-LINE  
METHOD**

	Registered office		Share capital at 31/12/2009	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	98.52%	–
• IMA Life S.r.l.	Ozzano E. (Bologna)	EUR	14,000,000	94.50%	–
• IMA Safe S.r.l.	Ozzano E. (Bologna)	EUR	3,000,000	100%	–
• CO.MA.DI.S. S.p.A.	Senago (Milan)	EUR	1,540,000	–	100% (1)
• Pharmasienna Service S.r.l.	Siena (Siena)	EUR	100,000	–	70% (2)
• Zanchetta S.r.l.	Montecarlo (Lucca)	EUR	363,940	100%	–
• IMA Edwards B.V.	Dongen (Netherlands)	EUR	(*)12,382,850	–	100% (2)
• IMA Edwards Inc.	Tonawanda (USA)	USD	100	–	100% (3)
• IMA Edwards Pharmaceutical Systems (Beijing) Co. Ltd.	Beijing (PRC)	USD	400,000	–	100% (2)
• IMA Kilian GmbH & Co. KG.	Cologne (Germany)	EUR	3,600,000	–	100% (4)
• Nova Packaging Systems Inc.	Leominster (USA)	USD	8,050,000	–	100% (3)
• Precision Gears Ltd.	Mumbai (India)	RS	(*) 17,852,100	–	100% (1)
• PSH MKCS Inc.	Winterville (USA)	USD	50,000	–	100% (3)
• 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 Edwards S.r.l.	Trezzano Naviglio (Milan)	EUR	80,000	–	100% (5)
• IMA Edwards Japan KK	Tokyo (Japan)	YEN	40,000,000	–	100% (5)
• 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 North America Inc.	Bristol (USA)	USD	2,500	–	100% (3)
• 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 Representacoes de Maquinas Ltda.	Sao Paulo (Brazil)	BRL	1,509,560	99.99%	–
• Imautomatiche Lda.	Madeira (Portugal)	EUR	5,000	100%	–
<b>Other companies:</b>					
• IMA Kilian Verwaltungs GmbH	Cologne (Germany)	EUR	25,000	–	100% (4)
<b>Financial companies:</b>					
• Packaging Systems Holdings Inc.	Wilmington (USA)	USD	1,000	100%	–

(\*) The share capital of Precision Gears Ltd., IMA Edwards B.V. and IMA Pacific Co. Ltd. amounts, at par, to RS 20,000,000, EUR 45,400,000 and THB100,000,000 respectively.

**Notes (list of investments):**

- (1) Held by IMA Safe S.r.l. The percentage interest in Precision Gears Ltd. includes an option to purchase 10% of the share capital, which in essence represents a form of deferred payment.
- (2) Held by IMA Life S.r.l. The percentage interest held in Pharmasienna Service S.r.l. includes an option to purchase 19% of the share capital
- (3) Held by Packaging Systems Holdings Inc.
- (4) Held by IMA Germany GmbH
- (5) Held by IMA Edwards B.V.

**INVESTMENTS ACCOUNTED FOR  
USING THE EQUITY METHOD**

	Registered office		Share capital at 31/12/2009	Direct investment	Indirect investment
• B.C. S.r.l.	Imola (Bologna)	EUR	36,400	30%	–
• Bacciottini F.Ili S.r.l.	OsteMontemurlo(Prato)	EUR	60,000	30%	–
• BrioPharma Technol.Pvt.Ltd.	Mumbai (India)	RS	1,000,000	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%	–
• 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.	CaggioMontano(Bologna)	EUR	90,000	30%	–
•Sirio S.p.A. Associazione in partecipazione (*)	Milan				

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

The consolidated financial statements at 31 December 2009 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 2008 for balance sheet items and on figures for the year 2008 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.

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 both sterile and non-sterile conditions;
- IMA Safe S.r.l. manufactures blister-pack machines, machines for the packaging of gelcaps, capsules and tablets and cartoning machines;
- CO.MA.DI.S. S.p.A. manufactures tube-filling machines for the pharmaceuticals, cosmetics, chemicals and food industries;
- IMA Edwards B.V., IMA Edwards Inc. and IMA Edwards Pharmaceutical Systems (Beijing) Co. Ltd. produce freeze-drying equipment for the pharmaceutical industry;
- Pharmasiena Service S.r.l. produces filling systems for vials and syringes under sterile conditions;
- Precision Gears Ltd. manufactures blister and cartoning machines, mainly for emerging markets;
- 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.

ANALYSIS BY BUSINESS SEGMENT

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 as 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 equity investments.

Information by business segment for 2008 is shown below (thousands of euros):

	Tea, coffee and herbal tea packaging	Pharmaceuticals packaging	Pharmaceuticals processing	Other	Total
Revenues	84,900	323,159	137,786	1,323	547,168
Segment operating profit	32,481	30,454	9,237	(244)	71,928
Net financial income (expense) (*)					(11,271)
Profit (loss) from investments accounted for using the equity method	-	-	-	(283)	(283)
Profit before tax					60,374
Income tax for the year					(19,030)
Net profit from continuing operations					41,344
Net profit from discontinued operations	-	-	-	777	777
Net profit for the year					42,121

(\*) Financial income and expense have not been allocated to the individual operating segments as it is not possible to indicate specific amounts for each segment; this breakdown is not used in internal reporting.

The following table gives a breakdown of revenues by business segment, with changes in revenues over the corresponding period of 2008 (thousands of euros):

	2009	2008	Change
Tea, coffee and herbal tea packaging	93,794	84,900	8,894
Pharmaceutical packaging	292,082	323,159	(31,077)
Pharmaceutical processing	119,070	137,786	(18,716)
Other	828	1,323	(495)
<b>Total</b>	<b>505,774</b>	<b>547,168</b>	<b>(41,394)</b>

Consolidated revenues in 2009 amounted to 505,774 thousand euros, a decrease of 7.6% with respect to 2008.

Revenues by segment are discussed below:

- the revenues of the tea, coffee and herbal tea packaging segment rose by 10.5%, after what was already an excellent year in 2008, thanks to an increase in market share in the European Union and the growth in Asian markets, especially in China;
- the revenues of the pharmaceutical packaging sector fell by 9.6% as a result of fewer orders from the pharmaceutical market during the first half of 2009;
- the pharmaceutical processing sector is showing a decline in revenues of 13.6% as a result of fewer orders during the first half of the year.

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

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

	2009	2008	Change
Tea, coffee and herbal tea packaging	32,830	32,481	349
Pharmaceutical packaging	32,038	30,454	1,584
Pharmaceutical processing	6,483	9,237	(2,754)
Other	(213)	(244)	31
<b>Total</b>	<b>71,138</b>	<b>71,928</b>	<b>(790)</b>

The operating profit of the tea segment shows a further increase despite fewer non-recurring items (which amounted to 893 thousand euros in 2009, against 1,927 thousand euros in 2008).

The packaging segment experienced a significant improvement in operating profit compared with the previous year thanks to contracts with higher margins due to a more favourable product mix and more efficient production processes. Considering that the operating profit for 2008 included non-recurring income of 1,117 thousand euros, the growth achieved in 2009 despite lower sales volumes is significant and shows how the reorganization carried out together with efforts to improve efficiency are bringing the expected benefits.

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 2009 result and the writeoff of 971 thousand euros of capitalised development costs. Corrective measures will continue in 2010 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 2009 and 2008 (thousands of euros):

	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	1,285	3,895	2,085	(4)	7,261

	Tea, coffee and herbal tea packaging	Pharmaceuticals packaging	Pharmaceuticals processing	Other	Total
Amortization, depreciation, impairment and writedowns	1,609	10,665	3,501	9	15,784
Other non-monetary costs	(699)	3,662	(586)	(20)	2,357

The increase in depreciation, amortization, impairment and writedowns of the pharmaceutical processing segment is due primarily to the amortization of development costs of the Vortex granulators and Pegasus fluid-bed integrators, as mentioned in Note 3. In 2008 the packaging segment was affected by the writedown of the tablet counting machine project.

The increase in other non-monetary costs in the tea segment is due principally to the use in 2008 of the provision for obsolete and slow-moving goods following the destruction of obsolete material. The change in non-monetary costs in the packaging and pharmaceutical processing segments mainly reflects the provision for reorganization costs.

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
Total assets	54,518	228,755	114,530	18,741	116,708	533,252
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 assets which cannot be divided exactly among the divisions reported.

Balance sheet information at 31 December 2008 is shown below (thousands of euros):

	Tea, coffee and herbal tea packaging	Pharmaceuticals packaging	Pharmaceuticals processing	Other	Unallocated (*)	Total
Assets	67,368	271,422	143,347	7,857	96,267	586,261
Investments valued at equity	–	–	–	6,155	–	6,155
Total assets	67,368	271,422	143,347	14,012	96,267	592,416
Liabilities	49,737	131,925	46,352	159	241,313	469,486
Capital expenditure	2,237	62,953	4,499	7	–	69,696

(\*) 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 reduction in the assets of the various operating segments reflects the sale of the three industrial complexes that form part of the Group's property spin-off program as mentioned in Note 2.

The greater capital expenditure in pharmaceutical packaging in 2008 is a result of the acquisition of the Edwards Group, which occurred during the previous year.

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

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

	2009	2008	Change
European Union (excluding Italy)	193,787	213,047	(19,260)
Other European countries	36,281	50,634	(14,353)
North America	76,403	97,793	(21,390)
Asia & Middle East	118,247	95,250	22,997
Other countries	44,117	59,715	(15,598)
<b>Total exports</b>	<b>468,835</b>	<b>516,439</b>	<b>(47,604)</b>
Italy	36,939	30,729	6,210
<b>Total</b>	<b>505,774</b>	<b>547,168</b>	<b>(41,394)</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 Germany and the United Kingdom;
- sales in other European countries decreased because of lower volumes being sold to Russia, which previously showed strong growth. Sales remained good in the other European countries;
- the sales trend in North America reflects the recession in that area, even if IMA's market position has remained strong in a market where there is no local competitor of any importance.
- Asia and the Middle East showed strong growth of 22,997 thousand euros and now represent 20% of aggregate Group sales, confirming the trend in recent years. In particular, sales to China increased from 22,653 thousand euros in 2008 to 44,644 thousand euros in 2009 (8.8% of total Group sales). 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.
- The revenues from other countries reflect a variety of trends with a slight increase in Africa and a decrease 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):

	31.12.2009	31.12.2008
Italy	83,879	114,203
European Union (excluding Italy)	40,442	42,120
North America	21,099	24,141
Asia & Middle East	16,326	21,540
Other countries	116	–
<b>Total</b>	<b>161,862</b>	<b>202,004</b>

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

The lower level of assets in Italy compared with 2008 reflects the sale of the three industrial complexes that form part of the Group's property spin-off program as mentioned in Note 2.

#### REVENUES BY BUSINESS CATEGORY

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

	2009	2008	Change
Machines and change parts	251,941	253,658	(1,717)
Construction contracts	145,701	180,420	(34,719)
Spare parts	64,113	64,854	(741)
Technical assistance	33,244	34,831	(1,587)
Other services	10,775	13,405	(2,630)
<b>Total</b>	<b>505,774</b>	<b>547,168</b>	<b>(41,394)</b>

## 2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment decreased overall by 42,917 thousand euros compared with 31 December 2008. 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 01.01.08</b>							
Gross amount	15,111	43,460	47,143	14,204	16,649	255	136,822
Accumulated depreciation	(12)	(8,875)	(33,747)	(12,760)	(13,538)	-	(68,932)
Net amount	15,099	34,585	13,396	1,444	3,111	255	67,890
<b>Balances at 01.01.08</b>	<b>15,099</b>	<b>34,585</b>	<b>13,396</b>	<b>1,444</b>	<b>3,111</b>	<b>255</b>	<b>67,890</b>
Increases in the year	13	1,234	4,346	613	1,465	2,313	9,984
Sales and disposals	-	(146)	(33)	-	(69)	-	(248)
Change in scope of consolidation	-	127	1,036	-	284	12	1,459
Depreciation	(1)	(1,939)	(3,346)	(577)	(1,408)	-	(7,271)
Discontinued operations	(845)	-	-	-	-	-	(845)
Reclassifications	-	7	246	8	(3)	(258)	-
Translation differences	(51)	(124)	221	(13)	(36)	(6)	(9)
<b>Balances at 31.12.08</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>
<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	(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)	(26,153)	(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>
Gross amount	4,820	12,616	36,969	14,840	18,090	1,304	88,639
Accumulated depreciation	(12)	(3,984)	(28,167)	(13,423)	(15,010)	-	(60,596)
<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>

"Land" includes 1,215 thousand euros in respect of the property located in Ozzano dell'Emilia (Bologna) owned by the Parent Company and 3,181 thousand euros for the land Calenzano (Florence) held under a finance lease.

Buildings and leasehold improvements mainly comprise the Parent Company's buildings located in Ozzano dell'Emilia and Calenzano, 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 Precision Gears Ltd. respectively.

"Other assets" comprise (thousands of euros):

	31.12.2009	31.12.2008
Electronic office machines	1,314	1,480
Office furniture and fittings	846	1,046
Vehicles	724	663
Other	196	155
<b>Total</b>	<b>3,080</b>	<b>3,344</b>

Assets under construction and advances include an amount of 1,196 thousand euros relating to two buildings of the Parent Company being built in Via Nobel, Ozzano dell'Emilia (Province of Bologna), which are expected to be completed during the first half of 2010.

Increases during the year mainly reflect the costs incurred to extend and upgrade existing buildings and plant, and to purchase machinery and electronic equipment. Property and plant include increases of 1,304 thousand euros for the three factories involved in the property spin-offs being implemented by the Group to obtain, in a timely manner, the financial resources needed to continue pursuit of its policy of growth by acquisitions.

The sales made by the Parent Company during the period as part of this programme are as follows:

- sale of the industrial complex in Via 1 Maggio, Ozzano dell'Emilia (BO), on 30 June 2009, to IRUAM S.p.A., a property company controlled by InterMedia Holding S.p.A. The selling price of 19,000 thousand euros compares with a book value of 16,296 thousand euros. The transaction therefore generated a capital gain of 2,356 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 1,482 thousand euros;
- sale of the industrial building in Via Emilia 428/442, Ozzano dell'Emilia, in October, in accordance with the Board resolution of 18 September 2009, to Nemo Investimenti S.r.l., a related company controlled by Lopam Fin S.p.A., the indirect parent company of IMA S.p.A. At the same time, the parties signed an operating lease for this property. The sale proceeds amounted to 19,000 thousand euros compared with a book value of 17,847 thousand euros and the annual leasing charge has been set at 1,482 thousand euros. An independent expert was appointed to appraise the value of the industrial complex. The price agreed between the parties was found to be fair with respect to the economic value of assets sold. The transaction generated a capital gain of about 1,153 thousand euros, gross of the tax effect and expenses relating to the sale;
- sale of the industrial building in Bentivoglio (BO) on 11 December 2009 to IRUAM S.p.A. The selling price of 7,900 thousand euros compares with a book value of 7,456 thousand euros. The transaction therefore generated a capital gain of 286 thousand euros, gross of the tax effect and net of expenses relating to the sale. At the same time, the parties signed an operating lease for this property at an annual leasing charge of 616 thousand euros.

The change in the scope of consolidation reflects the acquisition of Pharmasienna Service S.r.l., as explained previously.

The reclassifications mainly relate to two buildings of the Parent Company under construction in Via Nobel, Ozzano dell'Emilia (Province of Bologna) which were completed during the second half of 2009.

In 2008 disposals referred to the sale of a plot of land zoned for building in Ozzano dell'Emilia to third parties by way of an exchange.

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

	31.12.2009	31.12.2008
Land	3,181	3,181
Buildings	3,934	4,080
Plant and machinery	627	802
Other assets	13	81
<b>Total</b>	<b>7,755</b>	<b>8,144</b>

At 31 December 2009 the assets regard the Parent Company and mainly relate to the lease contract for the lease of land in Calenzano (Florence) and the industrial building constructed on it.

### 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 01.01.08</b>						
Gross amount	11,547	9,367	14,974	52,902	602	89,392
Accumulated amortization and writedowns	(4,110)	(6,642)	(12,333)	-	-	(23,085)
Net amount	7,437	2,725	2,641	52,902	602	66,307
<b>Balances at 01.01.08</b>	<b>7,437</b>	<b>2,725</b>	<b>2,641</b>	<b>52,902</b>	<b>602</b>	<b>66,307</b>
Increases in the year	94	2,871	7,598	-	1,723	12,286
Sales and eliminations	-	(2)	(8)	-	-	(10)
Acquisition of the Edwards Group	22,206	-	-	25,220	-	47,426
Change in scope of consolidation	-	-	50	-	-	50
Amortization	(4,167)	(790)	(2,105)	-	-	(7,062)
Writedowns/Impairment	(1,451)	-	-	-	-	(1,451)
Reclassifications	584	18	-	-	(602)	-
Translation differences	-	-	16	(175)	-	(159)
<b>Balances at 31.12.08</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>
<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 Pharmasienna 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>
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)
<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>

Development costs mainly include the costs incurred by the Parent Company and by IMA Flavour S.r.l. and IMA Life S.r.l. for new products not previously available and targeted at new market segments. These are discussed below:

- coating systems based on Perfima perforated pans for 515 thousand euros;
- Impresa 130 for 79 thousand euros;
- CA1 machines for packaging filter bags and coffee in pods for 703 thousand euros;
- Sterifill F200 and F2000 in-line filling and stoppering machines, 222 thousand euros;
- biotechnology compacts, 1,368 thousand euros.

In 2009, based on the Product Development Plan for the Vortex granulators and Pegasus fluid-bed integrators, it was decided that the project no longer satisfied the requirements of marketability and profitability, which meant that the residual development costs of 971 thousand euros had to be written off entirely. The write-off of development costs in 2008 relates to the tablet counting machine project.

Development costs also include 455 thousand euros of know-how relating to the washing and powder handling systems of the pharmaceutical processing sector recognised following the acquisition of VIMA Impianti S.r.l. (now Zanchetta S.r.l.) with an estimated useful life of 5 years. Lastly, know-how valued at 16,126 thousand euros is included in connection with the Edwards Group's freeze-drying plants for the pharmaceutical industry, with an estimated useful life of 7 years.

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 for an amount of 25,946 thousand euros (23,333 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 maintenance 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 entered into in 2008 by IMA Life S.r.l. in connection with the purchase of the equity interest in IMA Edwards Pharmaceutical Systems (Beijing) Co. Ltd, valued at 2,812 thousand euros and being amortized over 4 years.

Assets under development and advances mainly relate to the capitalization of development costs incurred by the Parent Company (1,369 thousand euros), IMA Life S.r.l. (2,174 thousand euros), IMA Safe S.r.l. (487 thousand euros) and IMA Flavour S.r.l. (741 thousand euros).

Goodwill comprises the following (thousands of euros):

	31.12.2009	31.12.2008
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	12,367	12,432
CGU Precision Gears Ltd.	4,027	4,027
CGU Edwards Group	23,079	25,220
CGU MKCS Inc	484	–
CGU Pharmasiena Service S.r.l.	2,073	–
	<b>47,600</b>	<b>47,249</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.	5,439	5,439
	<b>30,698</b>	<b>30,698</b>
<b>Total</b>	<b>78,298</b>	<b>77,947</b>

See Note 30 for information about the goodwill recognized following the acquisition of the line of business from MKCS Inc and Pharmsiena Service S.r.l.

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 discharge of tax liabilities in respect of goodwill during 2009.

The translation differences, showing a negative value of 124 thousand euros, refer to the translation of Nova Group goodwill at the year-end spot exchange rate.

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

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 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:

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

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

*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 discount 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 with 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 2010 budget and the 2011-2012 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	CAGR 2010-2012
		cost of capital	Sales %
		WACC %	
CGU G.S. S.r.l. Coating System	7,402	7.91	4.00
CGU ICO OLEODINAMICIS.p.A.	3,067	7.91	4.00
CGU CO.MA.DI.S. S.p.A.	3,782	8.34	3.80
CGU IMA Kilian GmbH & Co. KG	14,790	8.32	4.00
CGU Nova Group	12,367	8.91	4.30
CGU Precision Gears Ltd.	4,027	7.91	15.00
CGU Zanchetta S.r.l.	5,439	7.09	3.00
CGU Edwards Group	23,079	7.91	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.

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

Below is a breakdown (thousands of euros):

	% holding	31.12.2009	31.12.2008
B.C. S.r.l.	30%	819	643
Bacciottini Flli S.r.l.	30%	523	446
Brio Pharma Technologies Pvt. Ltd.	30%	370	n.a.
G.S. Divisione Verniciatura S.r.l.	30%	n.a.	721
I.E.M.A. S.r.l.	30%	448	361
I.A.CO. S.r.l.	30%	313	355
Masterpiece S.r.l.	30%	3	3
Powertransmission.it S.r.l.	20%	10	n.a.
Scriba Nanotecnologie S.r.l.	49%	686	201
SIL.MAC. S.r.l.	30%	304	312
Sirio S.p.A. Associazione in partecipazione (*)		6,748	3,113
<b>Total</b>		<b>10,224</b>	<b>6,155</b>

(\*) Amount paid under the agreement signed in the last quarter of 2007 for the management of an aircraft.

As regards Brio Pharma Technologies Pvt. Ltd. and Powertransmission.it S.r.l., please refer to the comments in the section "Scope of Consolidation" and in Note 33.

The investment in G.S. Divisione Verniciatura S.r.l. was sold to third parties in June 2009; this transaction generated a capital loss of 262 thousand euros.

In September 2009, IMA S.p.A. raised its interest in Scriba Nanotecnologie S.r.l. to 49% of the share capital, following a capital increase and the purchase of additional interests.

The following table sets out the goodwill included in the carrying amount of the above equity investments at 31 December 2009 (thousands of euros):

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

The following table summarizes the key financial data of associated companies at 31 December 2008 (thousands of euros):

	Assets	Liabilities	Revenues	Profit
B.C. S.r.l.	4,595	1,868	4,412	584
Bacciottini Flli S.r.l.	2,940	1,725	4,038	292
Brio Pharma Technologies Pvt. Ltd. (*)	304	40	289	53
I.E.M.A. S.r.l.	2,693	2,182	3,938	289
LA.CO. S.r.l.	5,712	5,375	6,340	82
Masterpiece S.r.l.	847	837	32	-
Scriba Nanotecnologie S.r.l.	551	421	586	(7)
SIL.MAC. S.r.l.	3,541	2,964	3,552	(27)

(\*) Financial statements at 31 March 2009

## 5. FINANCIAL ASSETS

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

	31.12.2009	31.12.2008
Non-current:		
· Investments in securities	14	2,970
· Financial receivables	1,021	1,789
· Investments in other companies	7,775	7,053
	<b>8,810</b>	<b>11,812</b>
Current:		
· Investments in securities	879	930
· Financial receivables	-	200
	<b>879</b>	<b>1,130</b>
<b>Total</b>	<b>9,689</b>	<b>12,942</b>

The investments in non-current securities at 31 December 2008 were made up primarily of quoted bond funds securing non-current borrowings; these were sold during 2009 with a net capital gain of 190 thousand euros.

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

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 (789 thousand euros at 31 December 2008). At 31 December 2008, this item included a loan of 1,000 thousand euros made by the Parent Company to Infracom Consulting S.r.l. during 2007 and repaid in October 2009.

Investments in other companies mainly include the 5.86% interest in Pierrel S.p.A. and the shares in InterMedia Holding S.p.A. and InterMedia Finance S.p.A. acquired during the second half of 2009. At 31 December 2009 these investments amounted to 3,692 thousand euros (4,330 thousand euros at 31 December 2008), 3,006 thousand euros and 1,002 thousand euros respectively. 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 2009. 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 the fourth quarter, IMA S.p.A. commenced arbitration proceedings to safeguard its rights under the contract signed with P. Farmaceutici S.r.l. on 30 July 2007 regarding the purchase of shares in Pierrel S.p.A.

The investment in InterMedia, an unlisted company, is stated at purchase cost.

The change in investments in other companies in 2009 reflects the following transactions carried out by the Parent Company:

- sale to third parties of the 2,535 thousand euro investment in Infracom Consulting S.r.l.; this transaction generated a pre-tax gain of 178 thousand euros;
- subscription and payment of increases in capital of InterMedia Holding S.p.A. and InterMedia Finance S.p.A.; these investments should enable IMA to participate in certain important market initiatives that the InterMedia Group is planning to promote.

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

	2009	2008
<b>Opening balance</b>	12,942	14,932
Increases	4,356	1,099
Effect of the valuation at fair value on equity	3,909	(3,089)
Impairment adjustment booked to the income statement	(4,614)	-
Change in scope of consolidation	2	-
Decreases	(6,906)	-
<b>Closing balance</b>	<b>9,689</b>	<b>12,942</b>
Of which:		
Non-current financial assets available for sale	7,789	10,023
Current financial assets available for sale	879	930
Non-current financial receivables	1,021	1,789
Current financial receivables	-	200
<b>Total</b>	<b>9,689</b>	<b>12,942</b>

## 6. RECEIVABLES FROM OTHERS

These include various guarantee deposits.

## 7. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Assets 31.12.2009	Assets 31.12.2008	Liabilities 31.12.2009	Liabilities 31.12.2008
Interest rate swap (non-current) cash flow hedges	1	118	570	-
Exchange rate hedging instruments (current) - cash flow hedges	-	2,094	-	186
<b>Total</b>	<b>1</b>	<b>2,212</b>	<b>570</b>	<b>186</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 2009, the amount of 1 thousand euros in assets and 570 thousand euros in liabilities represents the fair value of options arranged in 2009 and previous years with leading credit institutions to hedge interest rate risk; such options are linked to a portion of two medium-term loans, maturing in 2011 and 2015, and hedging a nominal value of 47,510 thousand euros (33,130 thousand euros at 31 December 2008).

### 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 2009 the Group holds no forward contracts to buy or sell currency.

At 31 December 2008, the amounts of 2,094 thousand euros in assets and 186 thousand euros in liabilities represented the fair value of these derivative contracts. The notional amounts of these exchange rate hedges at 31 December 2008 were 44.2 million US dollars and 4.7 million US dollars, respectively.

## 8. DEFERRED TAX ASSETS AND LIABILITIES

At 31 December 2009 deferred tax assets mainly regard temporary differences in respect of provisions and the elimination of unrealized intercompany profits on sales of finished goods and the tax benefit deriving from loss carry-forward. 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):

	31.12.2009	31.12.2008
Deferred tax assets:		
· within 12 months	7,047	6,961
· after 12 months	7,308	6,862
	<b>14,355</b>	<b>13,823</b>
Deferred tax liabilities:		
· within 12 months	(3,122)	(3,128)
· after 12 months	(8,996)	(14,918)
	<b>(12,118)</b>	<b>(18,046)</b>
<b>Total</b>	<b>2,237</b>	<b>(4,223)</b>

	31.12.2009	31.12.2008
Net amount at the start of the year	(4,223)	(2,617)
Exchange rate difference	(57)	120
Change in scope of consolidation	-	(6,662)
Impairment adjustment to goodwill	2,141	-
Other changes	155	3
Credited / (Charged) to the income statement	4,203	4,934
Credited / (Charged) to equity	18	(1)
<b>Net amount at the end of the year</b>	<b>2,237</b>	<b>(4,223)</b>

The reduction in the book value of the goodwill relates to the recognition of deferred tax assets after completion of the initial recognition of the acquisition of the Edwards Group.

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	Amortization	Income (losses) from fair value	Finance lease	Other	Total
<b>Balances at 01.01.08</b>	8,666	1,758	(10,306)	(27)	(816)	(1,892)	(2,617)
Effect on the income statement	1,055	(375)	2,349	-	(148)	2,053	4,934
Effect on equity	-	-	-	(1)	-	-	(1)
Change in scope of consolidation	-	-	(6,662)	-	-	-	(6,662)
Other changes	-	-	-	9	-	(6)	3
Exchange rate difference	71	11	41	-	-	(3)	120
<b>Balances at 31.12.08</b>	<b>9,792</b>	<b>1,394</b>	<b>(14,578)</b>	<b>(19)</b>	<b>(964)</b>	<b>152</b>	<b>(4,223)</b>
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>

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 carry-forward tax losses for which deferred tax assets have not been recognized, given that the circumstances do not seem to permit their future use, amounted to 2,401 thousand euros (2,401 thousand euros at 31 December 2008).

## 9. INVENTORIES

Below is a breakdown (thousands of euros):

	Gross value	Impairment charges	Net value at 31.12.2009	Net value at 31.12.2008
Raw, ancillary and consumable materials	25,828	(5,125)	20,703	22,388
Work in progress and semifinished goods	138,210	(19,437)	118,773	135,877
Finished products and goods for resale	2,295	(1,751)	544	1,966
<b>Total</b>	<b>166,333</b>	<b>(26,313)</b>	<b>140,020</b>	<b>160,231</b>

The decrease of 20,211 thousand euros in inventories compared with 31 December 2008 is the result of Group management's policy of careful stock control and the trend in sales revenues.

During the period, the Group recognised provisions of 3,827 thousand euros (937 thousand euros in 2008) 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):

	31.12.2009	31.12.2008
Trade receivables	100,944	109,995
Advances to suppliers	4,741	7,473
Tax receivables	5,082	9,212
Deferrals	1,546	2,161
Other receivables	2,352	2,863
<b>Total</b>	<b>114,665</b>	<b>131,704</b>

### TRADE RECEIVABLES

Trade receivables include customer receivables of 66,430 thousand euros (64,859 thousand euros at 31 December 2008), amounts due on construction contracts of 34,215 thousand euros (44,915 thousand euros at 31 December 2008) and trade receivables from associates of 299 thousand euros (221 thousand euros at 31 December 2008).

Trade receivables from customers are carried net of accumulated provisions amounting to 4,878 thousand euros (4,732 thousand euros at 31 December 2008).

The provision for doubtful accounts changed as follows (thousands of euros):

<b>Balance at 01.01.2009</b>	4,732
Net allocations	374
Uses	(236)
Change in scope of consolidation	9
Exchange rate difference	(1)
<b>Balance at 31.12.2009</b>	<b>4,878</b>

Customer receivables falling due beyond 12 months amounted to 646 thousand euros (77 thousand euros at 31 December 2008). Payment extensions granted to customers who reside in countries with particular risks are guaranteed by suitable financial instruments to secure collection.

The period saw the assignment without recourse of receivables with an overall nominal value of around 30,183 thousand euros (21,132 thousand euros in 2008). Receivables assigned without recourse that had not yet fallen due at 31 December 2009 amounted to around 20,338 thousand euros (18,045 at 31 December 2007), of which 15,738 thousand euros is assigned to factoring companies and 4,600 thousand euros to other financial institutions.

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

	31.12.2009	31.12.2008
Construction contracts (costs incurred plus recognized margins)	61,285	112,866
Advances received	(27,070)	(67,951)
<b>Due from customers</b>	<b>34,215</b>	<b>44,915</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):

	31.12.2009	31.12.2008
Advances received	(36,027)	(31,126)
Construction contracts (costs incurred plus recognized margins)	35,253	25,622
<b>Due to customers</b>	<b>(774)</b>	<b>(5,504)</b>

Revenues from contract work in 2009 amounted to 145,701 thousand euros (180,420 thousand euros in 2008). The decrease in revenues from contract work compared with the previous year reflects the overall trend in revenues.

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>31.12.2009</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>
<b>31.12.2008</b>				
Receivables from customers (gross)	53,220	10,933	5,438	69,591
Provision for doubtful accounts	(1,914)	(423)	(2,395)	(4,732)
<b>Receivables from customers (net)</b>	<b>51,306</b>	<b>10,510</b>	<b>3,043</b>	<b>64,859</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 2009 these relate to advances paid to suppliers for inventory goods of 3,671 thousand euros (5,185 thousand euros at 31 December 2008) and services of 1,070 thousand euros (2,288 thousand euros at 31 December 2008).

This item also includes advances to associates of 1,228 thousand euros (742 thousand euros at 31 December 2008).

#### TAX RECEIVABLES

Tax receivables are made up essentially of VAT receivables and the change compared with the previous year is primarily due to reimbursements received and the offsets made against VAT by certain Italian companies.

## 11. INCOME TAX RECEIVABLES AND PAYABLES

At 31 December 2009 income tax receivables and payables amounted to 180 thousand euros and 12,250 thousand euros (118 thousand euros and 6,211 thousand euros respectively at 31 December 2008). During 2007, VIMA Impianti S.r.l. (now Zanchetta S.r.l.), IMA S.p.A., IMA Libra S.r.l. (now IMA Life S.r.l.), and CO.MA.DIS. S.p.A. elected to participate in a domestic consolidated taxation mechanism for the three-year period 2007-2009 with SO.FI.M.A. S.p.A. acting as the consolidating company. During 2008, IMA Safe S.r.l. and IMA Flavour S.r.l. also elected to join the mechanism. At 31 December 2009, the IRES liability in respect of SO.FI.M.A. S.p.A. amounted to 8,672 thousand euros (1,796 thousand euros at 31 December 2008).

## 12. CASH AND CASH EQUIVALENTS

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

	31.12.2009	31.12.2008
Bank current accounts	94,747	72,974
Deposits	5,254	3,099
Cheques and cash	186	293
<b>Total</b>	<b>100,187</b>	<b>76,366</b>

The increase in cash and cash equivalents compared with 31 December 2008 is due to the particular concentration of collections in the latter part of the year.

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

## 13. SHARE CAPITAL AND TREASURY SHARES

	Shares in thousands	Share capital	Share premium reserve	Treasury shares
<b>Balance at 01.01.2008</b>	33,901	17,732	16,382	(2,744)
Purchase of treasury shares	(108)	-	-	(1,444)
Sale of treasury shares	110	-	-	1,501
<b>Balance at 31.12.2008</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>	33,845	17,732	15,472	(3,409)

Share capital at 31 December 2009 refers to the share capital issued (fully subscribed and paid-up) by the Parent Company IMA S.p.A. made up of 34,100,000 ordinary shares with a par value of 0.52 euros each.

During 2009, the Parent Company carried out transactions in treasury shares by buying 57,508 own shares for a total of 722 thousand euros. In 2008, the Parent Company carried out transactions in treasury shares by buying 108,250 own shares for 1,444 thousand euros and selling 110,000 shares for 1,501 thousand euros. These transactions were recognized directly in equity in accordance with IAS 32.

15 January 2009 saw the start of a new share buy-back plan. On completion of this programme on 22 April 2009, the Parent Company had purchased a total of 11,000 treasury shares for 137 thousand euros. On 10 June 2009 a new programme for the purchase of treasury shares was arranged with the Unicredit Group, which will terminate on 27 April 2010. The purpose of both programmes is to stabilize the stock price, while complying with all current regulations.

At 31 December 2009, 255,243 shares were held in the portfolio, with a total value of 3,409 thousand euros.

In May 2009, a total dividend of 30,502 thousand euros was paid, equal to 0.90 euros (gross) per ordinary share in circulation (28,723 thousand euros, equal to 0.85 euros (gross) in May 2008). The Parent Company paid the dividend by using the entire net profit for the year ended 31 December 2008 (7,387 thousand euros), and by drawing on distributable reserves for the balance.

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 2009.

#### 14. FAIR VALUE RESERVE

At 31 December 2009 the fair value reserve reported 374 thousand euros in respect of the intrinsic fair value of interest rate swap contracts. The value of the reserve at 31 December 2008 included valuations at fair value of the exchange rate swaps and advances on export contracts for 2,010 thousand euros, investments available for sale for -3,909 thousand euros and interest rate swaps for 97 thousand euros.

During 2009 3,909 thousand euros were charged to the income statement, representing 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 01.01.2008</b>	<b>8</b>
<i>Available for sale</i>	
Measurement at fair value	(3,089)
Fair value - tax effect	(18)
<i>Cash flow hedges/hedging instruments</i>	
Measurement at fair value	2,051
Changes in minority interests	(18)
Realization recognized in income - revenues	(579)
Realization recognized in income - financial income and expense	(210)
Realisation recognised in income - tax effect	17
<b>Balance at 31.12.2008</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>

#### 15. OTHER RESERVES

This item includes retained earnings made up principally of the Parent Company's legal reserve.

#### 16. BORROWINGS

These include payables to banks of 212,853 thousand euros (212,771 thousand euros at 31 December 2008) and payables to other lenders of 2,682 thousand euros (4,283 thousand euros at 31 December 2008).

**PAYABLES TO BANKS**

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

	31.12.2009	31.12.2008
Non-current:		
· Applied research and technological innovation loans	6,504	9,563
· Other loans	83,157	81,803
	<b>89,661</b>	<b>91,366</b>
Current:		
· Current accounts	8,363	9,946
· Advances on domestic transactions (Italy)	151	–
· Advances on export transactions	75,214	75,223
· Advances on export transactions to be carried out	–	146
· Applied research and technological innovation loans	2,268	3,898
· Other loans	37,196	32,192
	<b>123,192</b>	<b>121,405</b>
<b>Total</b>	<b>212,853</b>	<b>212,771</b>

*Applied research and technological innovation loans*

Repayments totalling 5,085 thousand euros were made by the Parent Company as they fell due during the year; no new loans were received.

*Other loans*

The principal changes in other loans relate to an advance to the Parent Company for 20,000 thousand euros, to IMA Life S.r.l. for 15,000 thousand euros, to IMA Kilian GmbH & Co. KG for 5,000 thousand euros and to PSH MKCS Inc. for 700 thousand US dollars and to contractual repayments made by IMA S.p.A. for 26,643 thousand euros, IMA Life S.r.l. for 3,938 thousand euros and IMA Kilian GmbH & Co. KG for 1,921 thousand euros.

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

	31.12.2009	31.12.2008
Due within 1 year	123,192	121,405
Due from 1 to 5 years	79,394	77,787
Due after more than 5 years	10,267	13,579
<b>Total</b>	<b>212,853</b>	<b>212,771</b>

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

	31.12.2009	31.12.2008
Euro	128,639	127,456
US dollar	486	–
<b>Total</b>	<b>129,125</b>	<b>127,456</b>

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

	31.12.2009	31.12.2008
Bank guarantees	–	1,878
Guarantees issued by IMA S.p.A.	8,077	8,077
Guarantees issued by FIN-VACCHI S.p.A.	47	236
Pledged securities	–	2,956
<b>Total</b>	<b>8,124</b>	<b>13,147</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 2009, all covenant requirements had been met.

Interest rates on payables to banks are on average less than 3.5% (less than 5% in 2008).

The book value of advances on export transactions represents a good estimate of their fair value. Determining the fair value of loans and other borrowings as the present value of future principal and interest flows, calculated using the market rate expressed by the yield curve for government bonds as of the reporting date, would lead to an increase in payables by around 3 million euros.

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

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

	31.12.2009	31.12.2008
Non-current:		
· Payables to leasing companies	1,301	2,373
· Other	–	12
	<b>1,301</b>	<b>2,385</b>
Current:		
· Payables to leasing companies	1,072	1,115
· Payables to factoring companies	297	764
· Other	12	19
	<b>1,381</b>	<b>1,898</b>
<b>Total</b>	<b>2,682</b>	<b>4,283</b>

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 2008</b>				
Minimum payments of finance leases	1,223	2,480	–	3,703
Less future financial charges	(108)	(107)	–	(215)
<b>Present value of finance lease payables</b>	<b>1,115</b>	<b>2,373</b>	<b>–</b>	<b>3,488</b>
<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>

At 31 December 2009 this item includes the liability for the finance lease on the Calenzano (FI) plant for 2,373 thousand euros (3,411 thousand euros at 31 December 2008). The non-current portion comprises payables falling due between 1 and 5 years totalling 1,301 thousand euros (2,373 thousand euros at 31 December 2008).

**NET DEBT**

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. 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.

The breakdown of net debt is as follows:

	31.12.2009	31.12.2008
A. Cash and cash equivalents	(100,187)	(76,366)
B. Other cash equivalents	–	–
C. Investments in securities	(879)	(930)
<b>D. Liquidity (A)+(B)+(C)</b>	<b>(101,066)</b>	<b>(77,296)</b>
<b>E. Current financial receivables</b>	<b>–</b>	<b>(200)</b>
F. Current payables to banks	88,727	85,315
G. Current portion of non-current bank payables	34,465	36,090
H. Other current financial payables	1,381	1,898
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>124,573</b>	<b>123,303</b>
<b>J. Net current financial debt (D)+(E)+(I)</b>	<b>23,507</b>	<b>45,807</b>
K. Non-current portion of non-current bank payables	89,661	91,366
L. Non-current financial assets	(1,035)	(4,759)
M. Other non-current financial payables	1,301	2,385
<b>N. Non-current financial debt (K)+(L)+(M)</b>	<b>89,927</b>	<b>88,992</b>
<b>O. Net financial debt (J)+(N)</b>	<b>113,434</b>	<b>134,799</b>

Information on the breakdown of the items comprising net debt is provided in Notes 5 and 12.

Net debt at the end of the period amounted to 113,434 thousand euros, compared with 134,799 thousand euros at 31 December 2008. The decrease in net debt compared with 31 December 2008 is mainly due to the property disposals, partly reduced by the rise in working capital and by the purchase of minority interests in certain companies.

In addition, IMA S.p.A. paid dividends of 30,502 thousand euros in May (28,723 thousand euros in May 2008).

## 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:

	31.12.2009	31.12.2008
Annual discount rate	5.00%	5.15%
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 01.01.2008</b>	18,000
Service cost	203
Interest cost	955
Net actuarial losses (gains) recognized during the year	(119)
Change in scope of consolidation	826
Severance payments made during the year	(2,388)
Other changes	330
Exchange rate difference	41
<b>Balance at 31.12.2008</b>	<b>17,848</b>
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>

The change in the scope of consolidation refers to Pharmasiena Service S.r.l.

## 18. PROVISIONS FOR RISKS AND CHARGES

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

	Balance at 31.12.2008	Increases	Decreases	Exchange rate differences	Balance at 31.12.2009
Non-current:					
Agency termination indemnities	1,733	200	(359)	6	1,580
Legal disputes	133	-	(133)	-	-
	<b>1,866</b>	<b>200</b>	<b>(492)</b>	<b>6</b>	<b>1,580</b>
Current:					
Product guarantee provision	11,687	3,398	(2,934)	(112)	12,039
Reorganization provision	-	3,788	-	(20)	3,768
Other provisions	283	7	(233)	-	57
	<b>11,970</b>	<b>7,193</b>	<b>(3,167)</b>	<b>(132)</b>	<b>15,864</b>
<b>Total</b>	<b>13,836</b>	<b>7,393</b>	<b>(3,659)</b>	<b>(126)</b>	<b>17,444</b>

The product guarantee provision was established on the basis of estimated expenses for work to be performed under guarantee after 31 December 2009.

During 2009, 3,788 thousand euros were set aside for reorganization charges relating to personnel costs which certain Group companies will incur in 2010 as a result of reorganizing production locations in Europe and North America. The aim is to rationalise structures and limit operating costs.

## 19. TRADE PAYABLES AND OTHER PAYABLES

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

	31.12.2009	31.12.2008
Trade payables	73,271	109,820
Advances from customers	24,046	53,312
Social security payables	5,993	5,526
Tax payables	4,067	3,990
Employees payables	14,801	17,246
Payables in respect of acquisitions	1,978	1,308
Other payables	3,794	5,103
<b>Total</b>	<b>127,950</b>	<b>196,305</b>

### TRADE PAYABLES

These include trade payables to suppliers of 62,647 thousand euros (96,993 thousand euros at 31 December 2008), agent payables of 6,466 thousand euros (7,265 thousand euros at 31 December 2008) and trade payables to associates of 4,158 thousand euros (5,562 thousand euros at 31 December 2008).

The decrease in trade payables compared with the previous year is primarily due to lower costs incurred during the year in the purchase of raw materials, external works and assembly.

### ADVANCES FROM CUSTOMERS

The decrease in advances from customers for future supplies compared with 31 December 2008 reflects the lower level of the order book at 31 December 2009.

### TAX PAYABLES

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

### EMPLOYEE PAYABLES

The decrease in this item compared with 31 December 2008 mainly reflects the lower liability for holiday entitlement still to be taken in 2010.

### PAYABLES IN RESPECT OF ACQUISITIONS

This item includes:

- the estimated liability of 1,365 thousand euros for the purchase of the residual 10% interest in Precision Gears Ltd., India, in relation to which, at the time of closing, the parties agreed reciprocal put&call options which were exercised in January 2010;
- the residual amount due, 300 thousand US dollars, on the acquisition of the line of business from MKCS Inc. This amount is payable in April 2012;
- the estimated liability of 405 thousand euros for the purchase of an additional 19% interest in Pharmasienna Service S.r.l. The put option granted is exercisable in April 2013 or in April 2016.

**20. OTHER REVENUES**

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

	2009	2008	Change
Capital gains on disposal of property assets	3,795	–	3,795
Tax credits on R&D costs incurred	524	644	(120)
Out-of-period income	2,714	1,164	1,550
Capitalization of internal construction costs	3,308	2,142	1,166
Other revenues and income	1,087	3,819	(2,732)
<b>Total</b>	<b>11,428</b>	<b>7,769</b>	<b>3,659</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 34.

The tax credits of 524 thousand euros (644 thousand euros in 2008) were booked by the Parent Company, IMA Life S.r.l., IMA Safe S.r.l. and IMA Flavour S.r.l., for the research and development costs incurred in 2008. Further information on these non-recurring items is provided in Note 34.

The increase in capitalized internal construction costs refers to assets built in-house by the Parent Company and by certain Italian companies for a total of 3,094 thousand euros in 2009 (1,771 thousand euros in 2008) and 214 thousand euros for equipment and machinery (371 thousand euros in 2008).

The other revenues and income in 2008 included the capital gains generated by the entry of third parties as shareholders of IMA Life S.r.l. and IMA Flavour S.r.l. for a total of 2,478 thousand euros.

**21. SERVICES, RENTALS AND LEASES**

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

	2009	2008	Change
External works and assembly	21,083	27,682	(6,599)
Maintenance and repair	4,612	4,318	294
Energy, telephone, gas, water and postal charges	6,987	6,852	135
Fees due	10,720	11,945	(1,225)
Technical, legal, tax and administrative consulting services	18,075	20,339	(2,264)
Advertising and promotions	1,597	2,025	(428)
Exhibitions	2,087	2,535	(448)
Travels and insurance	11,879	12,108	(229)
Transport	6,382	6,700	(318)
Bank charges	914	1,112	(198)
Rent expense	6,622	5,334	1,288
Operating lease fees	310	518	(208)
Rental fees	1,382	1,336	46
Other services	8,615	12,113	(3,498)
<b>Total</b>	<b>101,265</b>	<b>114,917</b>	<b>(13,652)</b>

**22. PERSONNEL COSTS**

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

	2009	2008	Change
Wages and salaries	113,510	109,761	3,749
Social security contributions	27,247	26,767	480
Remuneration of directors	2,629	2,619	10
Pensions - defined-benefit plans	1,672	603	1,069
Pensions - defined-contribution plans	6,831	6,408	423
Reorganization charges	3,788	–	3,788
Other personnel costs	8,782	8,944	(162)
<b>Total</b>	<b>164,459</b>	<b>155,102</b>	<b>9,357</b>

Personnel costs in 2009 include the reorganization charges for the rationalization and cost reduction programmes that will involve certain Group manufacturing companies in 2010.

Personnel costs also include 1,377 thousand euros relating to Pharmasienna Service S.r.l., PSH MKCS Inc. and Iautomatiche do Brasil Ltda., which were not included in the scope of consolidation in 2008.

In 2009, the IMA Group employed 3,135 people on average, as analyzed below:

	2009	2008	Change
Managers	97	86	11
Office workers	2,025	1,985	40
Production workers	1,013	977	36
<b>Total</b>	<b>3,135</b>	<b>3,048</b>	<b>87</b>

The personnel at the above companies which were not included in the scope of consolidation in 2008 amounted to 20 people.

### 23. DEPRECIATION AND AMORTISATION EXPENSE

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

	2009	2008	Change
Depreciation of property, plant and equipment	6,035	7,271	(1,236)
Amortization of intangible assets	7,832	7,062	770
Writedowns/Impairment	971	1,451	(480)
Provisions for bad debts	374	1,604	(1,230)
<b>Total</b>	<b>15,212</b>	<b>17,388</b>	<b>(2,176)</b>

The decrease in the depreciation of property, plant and equipment is partly due to the disposal of the property complexes as explained in Notes 2 and 34.

As regards the writedown/impairment adjustment of capitalised development costs relating to the Vortex granulators, Pegasus fluid-bed integrators and the tablet counting machine, please refer to the comments in Note 3.

### 24. OTHER OPERATING COSTS

Other operating costs comprise (thousands of euros):

	2009	2008	Change
Capital losses on disposal of property, plant and equipment	29	193	(164)
Local property tax and other taxes	902	1,026	(124)
Out-of-period expenses	812	564	248
Membership fees	331	274	57
Penalties and charges on sales	162	165	(3)
Sundry promotional materials	145	190	(45)
Other operating costs	805	971	(166)
<b>Total</b>	<b>3,186</b>	<b>3,383</b>	<b>(197)</b>

**25. FINANCIAL INCOME**

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

	2009	2008	Change
Interest income from banks	454	1,594	(1,140)
Interest income on amounts due from customers	244	172	72
Interest income from financial assets available for sale and other financial income	101	67	34
Income from non-current financial assets available for sale	178	–	178
Income from current financial assets available for sale	278	–	278
Income from derivative financial instruments	433	359	74
Exchange rate gains	9,948	8,124	1,824
<b>Total</b>	<b>11,636</b>	<b>10,316</b>	<b>1,320</b>

Income from financial assets available for sale relates to the capital gain on disposal to third parties of the shareholding in Infracom Consulting S.r.l. and disposal of the investments in securities, as described in Note 5.

**26. FINANCIAL EXPENSE**

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

	2009	2008	Change
Interest expense on bank payables	6,427	10,911	(4,484)
Interest expense on discounting	125	246	(121)
Interest expense on finance leases	86	255	(169)
Writedown of non-current assets available for sale	4,614	–	4,614
Losses on current financial assets available for sale	88	–	88
Expense on bank guarantees	188	155	33
Expense from derivative financial instruments	78	228	(150)
Other interest and financial expense	374	506	(132)
Exchange rate losses	9,747	9,286	461
<b>Total</b>	<b>21,727</b>	<b>21,587</b>	<b>140</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 2009, exchange rate gains and losses included an unrealized gain of 1,604 thousand euros and an unrealized loss of 1,695 thousand euros (2,248 thousand euros and 4,304 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):

	2009	2008	Change
Income tax on continuing operations:			
Current taxes	27,758	23,964	3,794
Net deferred tax assets and liabilities	(4,203)	(4,934)	731
	<b>23,555</b>	<b>19,030</b>	<b>4,525</b>
Income tax on discontinued operations:			
Current taxes	–	356	(356)
Net deferred tax assets and liabilities	–	–	–
	<b>–</b>	<b>356</b>	<b>(356)</b>
<b>Total</b>	<b>23,555</b>	<b>19,386</b>	<b>4,169</b>

During 2007, VIMA Impianti S.r.l. (now Zanchetta S.r.l.), IMA S.p.A., IMA Libra S.r.l. (now IMA Life S.r.l.), and CO.MA.DI.S. S.p.A. elected to participate in a domestic consolidated taxation mechanism for the three-year period 2007-2009 together with SO.FI.M.A. S.p.A., the consolidating company. During 2008, IMA Safe S.r.l. and IMA Flavour S.r.l. also elected to join the mechanism.

The breakdown of the result before taxes is as follows (thousands of euros):

	2009	2008	Change
Result before taxes of continuing operations	61,061	60,374	687
Result before taxes of discontinued operations	-	1,133	(1,133)
<b>Total</b>	<b>61,061</b>	<b>61,507</b>	<b>(446)</b>

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

	2009	2008
<b>Result before tax</b>	<b>61,061</b>	<b>61,507</b>
<b>Taxes determined on the tax rate applicable in each country</b>	<b>16,776</b>	<b>15,223</b>
Tax effect of non-deductible costs	2,042	979
Prior year taxes	(707)	(208)
IRAP	4,910	4,830
Other	534	(1,438)
<b>Total</b>	<b>23,555</b>	<b>19,386</b>

## 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:

	2009	2008
Net profit from continuing operations (thousand of euros)	36,857	41,034
Average number of outstanding ordinary shares (thousands of shares)	33,869	33,799
<b>Earnings per share from continuing operations (in euros)</b>	<b>1.09</b>	<b>1.21</b>
Net profit from discontinued operations (thousands of euros)	-	777
Average number of outstanding ordinary shares (thousands of shares)	33,869	33,799
<b>Earnings per share from discontinued operations (in euros)</b>	<b>-</b>	<b>0.02</b>
Net profit for the year (thousands of euros)	36,857	41,811
Average number of outstanding ordinary shares (thousands of shares)	33,869	33,799
<b>Earnings per share (in euros)</b>	<b>1.09</b>	<b>1.23</b>

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

## 29. NET PROFIT FROM DISCONTINUED OPERATIONS/ DISPOSAL GROUPS

At 31 December 2008, this item included the economic effect of the Parent Company's exchange of building land for portions of a building under construction by third parties at Ozzano dell'Emilia (Bologna).

## 30. BUSINESS COMBINATIONS

The US subsidiary Packaging Systems Holdings Inc. purchased a line of business comprising the provision of technical assistance for freeze-dryers from MKCS Inc. on 1 April 2009. This acquisition was made via a new wholly-owned subsidiary, PSH MKCS Inc. with Head office in Winterville, North Carolina (USA).

The main provisional values for assets and liabilities at 1 April 2009 were as follows (thousands of euros):

	Total book values	Fair value
Property, plant and equipment	10	10
Inventories	8	8
Trade and other receivables	339	339
Cash and cash equivalents	158	158
Trade and other payables	(129)	(129)
<b>Total</b>	<b>386</b>	<b>386</b>
Purchase cost		910
<b>Goodwill</b>		<b>524</b>

PSH MKCS Inc. was consolidated for nine months of 2009, contributing 1,250 thousand euros in revenues and 161 thousand euros in operating profit to the IMA Group's results.

On 2 July 2009, IMA Life S.r.l. completed the purchase of a 51% interest in Pharmasiena Service S.r.l., which designs and manufactures systems for filling vials and syringes in an aseptic environment. IMA Life S.r.l. also granted the sellers a put option for the sale of a further 19% of the company's share capital.

The main provisional values for assets and liabilities at 2 July 2009 were as follows (thousands of euros):

	Total book values	Fair value
Intangible assets - Goodwill (a)	656	656
Property, plant and equipment	68	68
Financial assets	2	2
Inventories	690	690
Trade and other receivables	415	415
Financial payables	(697)	(697)
Severance and pension provisions	(70)	(70)
Trade and other payables	(623)	(623)
<b>Total</b>	<b>441</b>	<b>441</b>
Minority		56
Purchase cost		1,802
<b>Goodwill (b)</b>		<b>1,417</b>
<b>Total goodwill (a) + (b)</b>		<b>2,073</b>

Pharmasiena Service S.r.l. was consolidated for nine months of 2009, contributing 862 thousand euros in revenues and 38 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 2,638 thousand euros.

**31. GUARANTEES GRANTED**

At 31 December 2009, the Group has granted sureties and other bank guarantees to customers in the amount of 9,969 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 5,224 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):

	31.12.2009	31.12.2008
IMA Edwards B.V.	4,500	4,500
IMA Edwards Inc.	472	489
IMA Est GmbH	800	799
IMA Flavour S.r.l.	12,750	12,750
IMA Kilian GmbH & Co. KG	61,637	57,935
IMA Iberica Processing and Packaging S.L.	250	250
IMA Life S.r.l.	14,350	14,350
IMA Pacific Co. Ltd.	725	721
IMA Packaging and Processing Equipment (Beijing) Co. Ltd.	243	251
IMA Safe S.r.l.	22,110	22,110
Nova Packaging Systems Inc.	632	-
Precision Gears Ltd.	1,939	1,775
PSH MKCS Inc.	632	-
Scriba Nanotecnologie S.r.l.	31	-
Zanchetta S.r.l.	4,325	4,325
<b>Total</b>	<b>125,396</b>	<b>120,255</b>

Guarantees totalling 76,250 thousand euros have also been given to leading banks in relation to the lines of credit shares by the Group's Italian subsidiaries.

Sureties given against advances received from customers amount to about 25,945 thousand euros (25,012 thousand euros at 31 December 2008).

**32. COMMITMENTS**

At 31 December 2009 commitments to purchase property, plant and equipment and intangible assets came to 36 thousand euros and 17 thousand euros respectively.

The Group has outstanding commitments of 1,622 thousand euros (1,709 thousand euros at 31 December 2008) for future minimum payments under irrevocable operating leases relating primarily to plant, machinery and vehicles (672 thousand euros due within one year, 900 thousand euros between one and five years and 50 thousand euros over five years) and commitments under rental contracts of 96,390 thousand euros (31,748 thousand euros at 31 December 2008), of which 8,740 thousand euros fall due within one year, 32,206 thousand euros between one and five years and 55,444 thousand euros over five years. Note that as part of the sale of the plants located in Via Emilia 428/442 and Via 1 Maggio, Ozzano dell'Emilia (BO) and in Bentivoglio (BO), three lease contracts have been stipulated on these buildings with a duration of 18 years and annual lease instalments for a total of 3,580 thousand euros.

Instalments paid during the year for operating lease contracts and rentals were 6,932 thousand euros (5,852 thousand euros the previous year).

There are also other commitments in favour of third parties for 2,455 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 1,400 thousand euros.

### 33. RELATED-PARTY TRANSACTIONS

At 31 December 2008 the Group holding company is IMA Industria Macchine Automatiche S.p.A., 71.517% owned by SO.FI.M.A. S.p.A., which is in turn a subsidiary of Lopam Fin S.p.A. During 2007, VIMA Impianti S.r.l. (now Zanchetta S.r.l.), IMA S.p.A., IMA Libra S.r.l. (now IMA Life S.r.l.), and CO.MA.DI.S. S.p.A. elected to participate in a domestic consolidated taxation mechanism for the three-year period 2007-2009 together with SO.FI.M.A. S.p.A. as the consolidating company. During 2008, IMA Safe S.r.l. and IMA Flavour S.r.l. also elected to join the mechanism.

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.

The following table details the main transactions carried out with related parties (thousands of euros):

	Receivables at 31.12.2009	Receivables at 31.12.2008	Payables at 31.12.2009	Payables at 31.12.2008
Parent companies:				
SO.FI.MA. S.P.A.	–	–	8,672	1,796
	<b>–</b>	<b>–</b>	<b>8,672</b>	<b>1,796</b>
Associates:				
B.C. S.r.l.	–	–	586	827
Bacciottini Flli S.r.l.	–	–	1,068	983
Brio Pharma Technologies Pvt. Ltd.	3	na.	109	n.a.
G.S. Divisione Verniciatura S.r.l.	n.a.	–	n.a.	18
I.E.M.A. S.r.l.	–	–	981	968
LA.CO. S.r.l.	1,290	674	821	1,549
Masterpiece S.r.l.	50	–	179	–
Powertransmission.it S.r.l.	–	na.	102	n.a.
Scriba Nanotecnologie S.r.l.	9	21	–	96
SIL.MAC. S.r.l.	175	268	312	1,121
	<b>1,527</b>	<b>963</b>	<b>4,158</b>	<b>5,562</b>
Other related parties:				
Datalogic Automation S.r.l.	–	–	45	63
Idice S.p.A.	–	–	16	6
Lopam S.r.l.	–	–	25	25
Naturapack S.r.l.	684	1,006	85	19
Poggi Luca	–	15	72	–
Viaggi Nuova Era S.r.l.	–	–	1,460	1,742
	<b>684</b>	<b>1,021</b>	<b>1,703</b>	<b>1,855</b>
<b>Total</b>	<b>2,211</b>	<b>1,984</b>	<b>14,533</b>	<b>9,213</b>

	Revenues 2009	Revenues 2008	Costs 2009	Costs 2008
<b>Associates:</b>				
B.C. S.r.l.	–	6	3,094	3,732
Bacciottini F.lli S.r.l.	–	–	2,641	2,126
Brio Pharma Technologies Pvt. Ltd.	–	n.a.	196	n.a.
G.S. Divisione Verniciatura S.r.l.	–	–	56	270
I.E.M.A. S.r.l.	–	–	1,876	2,102
LA.CO. S.r.l.	512	725	2,146	2,211
Masterpiece S.r.l.	–	–	423	–
Powertransmission.it S.r.l.	–	n.a.	218	n.a.
Scriba Nanotecnologie S.r.l.	3	12	–	–
SIL.MAC. S.r.l.	12	5	1,511	2,499
	<b>527</b>	<b>748</b>	<b>12,161</b>	<b>12,940</b>
<b>Other related parties:</b>				
Datalogic Automation S.r.l.	–	–	122	180
Idice S.p.A.	–	–	33	31
Italbe S.p.A.	–	–	185	152
Lopam S.r.l.	–	–	494	461
Morosina S.p.A.	–	–	150	150
Naturapack S.r.l.	1,394	1,896	213	453
Nemo Investimenti S.r.l.	–	n.a.	338	n.a.
Poggi Luca	–	–	491	387
Sporting Club Gira S.r.l.	–	–	300	265
Viaggi Nuova Era S.r.l.	–	–	3,872	4,380
	<b>1,394</b>	<b>1,896</b>	<b>6,198</b>	<b>6,459</b>
<b>Total</b>	<b>1,921</b>	<b>2,644</b>	<b>18,359</b>	<b>19,399</b>

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;
- 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;
- 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. is a company that refurbishes and repairs used tea packaging machines as part of an exclusive agency agreement with the IMA Group;
- 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.

See Note 2 for information on the sale of real estate to Nemo Investimenti S.r.l., a related party, in October 2009.

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 31.12.2009	Of which related parties	% impact	Total at 31.12.2008	Of which related parties	% impact
<b>Balance sheet:</b>						
<i>Non-current assets</i>	177,321	430	0.2%	220,773	511	0.2%
Trade and other receivables	114,665	2,211	1.9%	131,704	1,984	1.5%
Financial assets	879	–	0.0%	1,130	200	17.7%
Other current assets	240,387	–	0.0%	238,809	–	0.0%
<i>Current assets</i>	355,931	2,211	0.6%	371,643	2,184	0.6%
<b>Total assets</b>	<b>533,252</b>	<b>2,641</b>	<b>0.5%</b>	<b>592,416</b>	<b>2,695</b>	<b>0.5%</b>
<i>Shareholders' equity</i>	130,201			122,930		
<i>Non-current liabilities</i>	122,414	–	0.0%	131,511	–	0.0%
Trade and other payables	127,950	5,861	4.6%	196,305	7,417	3.8%
Income tax liabilities	12,250	8,672	70.8%	6,211	1,796	28.9%
Other current liabilities	140,437	–	0.0%	135,459	–	0.0%
<i>Current liabilities</i>	280,637	14,533	5.2%	337,975	9,213	2.7%
<b>Total liabilities and equity</b>	<b>533,252</b>	<b>14,533</b>	<b>2.7%</b>	<b>592,416</b>	<b>9,213</b>	<b>1.6%</b>

	2009	Of which related parties	% impact	2008	Of which related parties	% impact
<b>Income statement:</b>						
Revenues and other income	517,202	1,918	0.4%	554,937	2,632	0.5%
Cost of raw materials and goods	(141,591)	(8,940)	6.3%	(208,334)	(10,267)	4.9%
Cost of services and leases	(101,265)	(9,369)	9.3%	(114,917)	(9,132)	7.9%
Other operating costs	(203,208)	(50)	0.0%	(159,758)	–	0.0%
<b>Operating profit</b>	<b>71,138</b>			<b>71,928</b>		
Net financial income (expense)	(10,091)	3	0.0%	(11,271)	12	-0.1%
Other income statement items	(23,541)	–	0.0%	(18,536)	–	0.0%
<b>Net profit for the year</b>	<b>37,506</b>			<b>42,121</b>		

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
2,155	139	1,991	4,285

The executives with strategic responsibilities include two members of the Board of Directors. Fees paid during the year to directors, statutory auditors and general managers are shown by name in the section dealing with the Consob Resolution no. 11971 of 14 May 1999.

#### 34. SIGNIFICANT NON-RECURRING TRANSACTIONS AND EVENTS

The following non-recurring items are included in the operating profit for the period and are classified under other revenues and personnel costs (thousands of euros):

	2009	2008
Gain on sale of property complex in Ozzano Emilia, Via 1 Maggio	2,356	–
Gain on sale of property complex in Ozzano Emilia, Via Emilia	1,153	–
Gain on sale of property complex in Bentivoglio, Via Romagnoli	286	–
Gain on investment by minority shareholders in IMA Life S.r.l./IMA Flavour S.r.l.	–	2,478
Tax credits on R&D costs incurred	524	644
Restructuring costs	(3,788)	–
<b>Total</b>	<b>531</b>	<b>3,122</b>

See note 2 for further information on the sale of the property complexes in Ozzano dell'Emilia and Bentivoglio (Province of Bologna).

Tax credits were recognised by the Parent Company for 98 thousand euros, by IMA Life S.r.l. for 128 thousand euros, by IMA Safe S.r.l. for 100 thousand euros and by IMA Flavour S.r.l. for 198 thousand euros relating to research and development costs incurred in 2008, as per Art. 1 of Law 296 of 27 December 2006, as subsequently amended. In 2008 the Parent Company and IMA Life S.r.l. recognised tax credits relating to 2007 of 496 thousand euros and 148 thousand euros, respectively.

In 2009, 3,788 thousand euros were set aside to other provisions for risks and charges for reorganization costs, namely personnel costs that certain Group companies will incur in 2010. The aim is to rationalise structures and hold down operating costs.

In 2008 the Extraordinary Meetings of IMA Life S.r.l. and IMA Flavour S.r.l. approved a capital increase, excluding the exercise of pre-emption rights by existing shareholders and admitting new third-party shareholders; as a result, the Parent Company's interest in these two companies has decreased to 94.5% and 98.52% respectively. These transactions resulted in an aggregate capital gain of 2,478 thousand euros.

#### 35. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

No significant atypical and/or unusual transactions or positions are reported.

#### 36. SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD

The following main events have taken place subsequent to year end:

- in January 2010 IMA Safe S.r.l. purchased the residual 10% of Precision Gears Ltd., an Indian company, for 1,368 thousand euros;
- on 25 January 2010 the Regional Tax Office of Emilia Romagna began a tax audit of the Parent Company for 2007 income tax, VAT, IRAP (the regional tax on business activities) and other taxes;

- on 28 January 2010 the Shareholders' Meeting of IMA S.p.A. approved an increase in the number of board members from 11 to 12 and appointed Enrico Ricotta, founding partner of Mandarin Capital Partner, as a director;
- 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 machinery, 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;
- 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 3.4 million euros and 5.6 million 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 initiated 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 inefficiencies in the management of cash flows;
- on 19 March 2010, 255,243 treasury shares were sold at a price of 13.90 euros each. At the date the financial statements were prepared, the Parent Company no longer held any treasury shares;
- during March 2010, 225,000 shares in Pierrel S.p.A. were sold, so the Parent Company now holds 650,000 shares.

## 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 executives with strategic responsibilities.

(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	01/01/09-31/12/09	2011	20.00	250	-	20.07
Vacchi Alberto	Chairman and CEO	01/01/09-31/12/09	2011	805.59	8.91	-	210.20
Malagoli Andrea	Director and General Manager	01/01/09-31/12/09	2011	617.04	5.78	-	221.30
Benedetti Gino	Director	01/01/09-28/04/09	2008	-	-	-	-
Folco Giancarlo	Director Member of the Internal Control and Remuneration Committee	01/01/09-31/12/09	2011	20.00	-	-	-
		01/01/09-31/12/09		15.00	-	-	-
Galliani Marco	Director Member of the Internal Control and Remuneration Committee	28/04/09-31/12/09	2011	20.00	-	-	-
		14/05/09-31/12/09		15.00	-	-	-
Minguzzi Italo Giorgio	Director and Secretary	01/01/09-31/12/09	2011	55.00	-	-	-
Poggi Luca	Director	01/01/09-31/12/09	2011	20.00	-	-	445.00
Riello Pierantonio	Director	28/04/09-31/12/09	2011	20.00	-	-	-
Schiavina Maria Carla	Director Member of the Internal Control and Remuneration Committee	01/01/09-31/12/09	2011	20.00	-	-	-
		01/01/09-31/12/09		15.00	-	-	-
Vacchi Gianluca	Director	01/01/09-31/12/09	2011	20.00	-	-	-
Visentini Stefano	Director	01/01/09-28/04/09	2008	-	-	-	-
Volta Romano	Director Chairman of the Internal Control and Remuneration Committee	01/01/09-31/12/09	2011	20.00	-	-	-
		01/01/09-28/04/09		-	-	-	-
Cazzola Amedeo	Chairman of Board of Statutory Auditors	01/01/09-31/12/09	2009	22.54	-	-	40.00
Aicardi Piero	Auditor	01/01/09-31/12/09	2009	16.23	-	-	27.74
Giovanardi Giacomo	Auditor	01/01/09-31/12/09	2009	16.23	-	-	16.00

(\*) Through the approval of the financial statements  
Compensation relates to duties performed in 2009.

In 2009, total compensation of any kind and in any form paid to executives with strategic responsibilities by IMA S.p.A. and its subsidiaries amounted to 3,639 thousand euros and includes the 1,869 thousand euros in fees paid to the Directors listed in the table above.



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 2009.

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), 26 March 2010

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)



PricewaterhouseCoopers SpA

**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE NO. 58 DATED 24 FEBRUARY 1998 (NOW ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 DATED 27 JANUARY 2010)**

To the Shareholders of  
IMA SpA

- 1 We have audited the consolidated financial statements of IMA SpA (hereinafter also the "Company") and its subsidiaries ("IMA Group" or the "Group") as of 31 December 2009, which comprise the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the changes in consolidated equity, the consolidated cash flow statement and related explanatory notes. The directors of IMA SpA are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standard 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. Those standards 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.

The audit of the consolidated financial statements as of 31 December 2009 was conducted in accordance with the legislation in force during the year then ended.

For the opinion on the consolidated financial statements of the prior year, the amounts of which are presented for comparative purposes and have been reclassified to reflect the changes to the financial statement presentation introduced by IAS 1, reference is made to our report dated 10 April 2009.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob - Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 - **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wührer 23 Tel. 0303697501 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Dante 7 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349757 - **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37122 Corso Porta Nuova 125 Tel. 0458002561



- 3 In our opinion, the consolidated financial statements of IMA SpA as of 31 December 2009 comply with International Financial Reporting Standards as adopted by the European Union, as well as the regulations issued to implement article 9 of Legislative Decree NO. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations and cash flows of the Group for the year then ended.
- 4 The directors of IMA SpA are responsible for the preparation of the Report on operations and for the preparation of the Report on corporate governance and shareholding structure published in section “*Corporate governance*” within the “*Investor relation*” section of IMA internet site, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and the information reported in compliance with paragraph 1, Letters c), d) f), l), m) and paragraph 2 letter b) of article 123-bis of Italian Legislative Decree no 58/1998, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard no. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the report on operations and the information provided in compliance with paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree no. 58/2005 are consistent with the consolidated financial statements of IMA SpA as of 31 December 2009.

Bologna, 14 April 2010

PricewaterhouseCoopers SpA

Signed by

Roberto Sollevanti  
(Partner)

***This report has been translated from the original which was issued in accordance with Italian legislation.***

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