

ANNUAL FINANCIAL REPORT

AT 31 DECEMBER 2016



TABLE OF CONTENTS

NOTICE OF CALL			PAGE	3	-	4
REPORT ON OPERATIONS			PAGE	5	-	40
DIRECTORS AND OFFICERS OF THE PARENT COMPANY IMA S.P.A.	PAGE	6	-	7		
GROUP STRUCTURE	"			8		
GROUP PERFORMANCE	"	9	-	22		
PERFORMANCE OF IMA S.P.A.	"	23	-	31		
OTHER INFORMATION	"	32	-	40		
CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016			PAGE	41	-	46
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	PAGE			42		
CONSOLIDATED INCOME STATEMENT	"			43		
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	"			44		
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY	"			45		
CONSOLIDATED STATEMENT OF CASH FLOWS	"			46		
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS			PAGE	47	-	110
OVERVIEW	"			48		
GENERAL PREPARATION POLICIES	"	48	-	49		
ACCOUNTING POLICIES AND PRINCIPLES	"	49	-	58		
FINANCIAL RISK MANAGEMENT	"	58	-	63		
CONSOLIDATION PRINCIPLES	"	63		65		
SCOPE OF CONSOLIDATION	"	65	-	66		
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	"	66	-	107		
EQUITY INVESTMENTS INCLUDED IN THE SCOPE OF CONSOLIDATION AND METHOD USED	"	108	-	109		
DISCLOSURE REQUIRED UNDER ARTICLE 149-DUODECIES OF THE CONSOB ISSUERS' REGULATION	"			110		
CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART.81-TER OF CONSOB REGULATION			PAGE	111	-	112
REPORT OF THE INDEPENDENT AUDITORS			PAGE	113	-	115

NOTICE OF CALL

Published on the Company's website www.ima.it (investor relations section) on 14 March 2017 and in MF on 22 March 2017 to convene the Extraordinary and Ordinary Shareholders' Meeting on 21 April 2017 at 10.30 a.m. at the offices of the Company in Via Emilia no. 237, Ozzano dell'Emilia - Bologna, to resolve the following:

AGENDA

Extraordinary part

1. Amendments to articles 6 and 12 of the Articles of Association in order to give higher voting rights pursuant to art. 127-quinquies of Legislative Decree 58/1998.

Ordinary part

2. Approval of the financial statements for the year ended 31 December 2016; related and consequent resolutions.
3. Proposed purchase, sale and/or disposal of treasury shares; related and consequent resolutions.
4. Remuneration report: resolution pursuant to art. 123 ter, para. 6 of Legislative Decree 58/1998.

Right to attend the Shareholders' Meeting

Pursuant to article 83-sexies of Legislative Decree no. 58/1998, persons entitled to attend the Shareholders' Meeting and exercise their right to vote are those with voting rights at the end of the accounting day on 10 April 2017 ("record date"), that is, the seventh market trading day prior to the date of the Shareholders' Meeting and from whom the Company has received, prior to the start of the meeting, the required communication from an authorised intermediary. Those registered as shareholders after that date will not be entitled to attend the Shareholders' Meeting. The communication from the intermediary must be received by the Company by the end of the third trading day prior to the date fixed for the Shareholders' Meeting i.e. by 18 April 2017. Shareholders are nevertheless entitled to attend and vote if the communications are received after that deadline, but before the start of the Shareholders' Meeting.

Proxy

Those entitled to vote can have themselves represented at the Shareholders' Meeting by means of a written proxy, bearing in mind any situations of incompatibility and the limits set by current regulations; use the proxy form attached to the foot of the communication issued by the authorised intermediary or a facsimile which is available on the Company's website: www.ima.it (Investor Relations section). Proxies should be sent to the Company to the administrative offices in Via Tosarelli 184, Castenaso (Bologna) to the attention of the Company's legal department by registered mail or by certified e-mail to ima@legalmail.it.

If the representative delivers or transmits, even in an electronic format, to the Company a copy of the proxy, he/she must certify, assuming full responsibility, that the proxy corresponds to the original and must also certify the identity of the delegator.

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

Right to ask questions

In accordance with art. 127-ter of Legislative Decree 58/1998, shareholders can also ask questions about the matters on the agenda prior to the Shareholders' Meeting. The questions, accompanied by the personal details of the requesting shareholder and the certification attesting to the ownership of the shareholding, must be in writing and be received by the

deadline of 18 April 2017, either hand-delivered or sent by post, to the administrative offices in Via Tosarelli 184, Castenaso (BO), or even by electronic notification to the certified mail address ima@legalmail.it. Questions, arrived within that date, will be answered at latest at the Shareholders' Meeting.

Right to add to the agenda or to submit further proposed resolutions concerning topics already on the agenda

In accordance with art. 126-bis of Legislative Decree 58/1998, within ten days of publication of this notice, shareholders who, individually or jointly, represent at least 1/40th of the share capital can ask for the matters under discussion to be integrated, indicating the topics that they would like to add to the agenda or present proposals on topics already on the agenda. The requests, accompanied by the personal details of the requesting shareholder and the certification attesting to the ownership of the shareholding, must be in writing and be either hand-delivered or sent by post, to the administrative offices in Via Tosarelli 184, Castenaso (BO), or even by electronic notification to the certified mail address ima@legalmail.it.

Any additions to the list of topics that the Shareholders' Meeting has to address or the submission of further proposed resolutions concerning topics already on the agenda have to be notified in the same manner prescribed for the publication of the notice of calling at least 15 days prior to the date set for the Shareholders' Meeting.

Within that timeframe, the shareholder proponents must submit a report stating the reasons for the proposed resolutions on new topics to be added to the agenda or the reasons for the further proposed resolutions concerning topics already on the agenda.

At the same time that this notice of integration or presentation is published, the report prepared by the shareholder(s) making the proposal will be made available to the public in the same ways as for the AGM documentation, accompanied by any comments that the Board of Directors would like to make. Additions to the agenda are not permitted if they concern matters which the law requires to be resolved upon at the Shareholders' Meeting based on a proposal from the directors or on a project or a report prepared by them.

Information and documentation

The Company's share capital, fully subscribed and paid-in, amounts to Euro 20,415,200, split into 39,260,000 shares with a par value of Euro 0.52, each of which gives the right to one vote at the Shareholders' Meeting. Note that as of today the Company holds 5,500 own shares; by law, the voting rights on these shares are suspended. This information is also available on the Company's website (www.ima.it), where the Articles of Association and the Regulations for Shareholders' Meetings can also be found.

The documentation and information for the Shareholders' Meeting required under current regulations, including the separate and consolidated financial statements at 31 December 2016, related reports and the annual report on corporate governance and the ownership structure, are made available to the public by the legal deadline at the registered office located at Via Emilia 428/442, Ozzano dell'Emilia (Bologna). Shareholders are entitled to view these documents and to obtain a copy of them. This documentation will also be available on the Company's website www.ima.it in the Investor Relations section, as well as on the authorized storage system 1INFO (www.1info.it).

REPORT ON OPERATIONS

AT 31 DECEMBER 2016

(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 2017)

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 or associates;
-) to grant beneficial rights over the assets of the Company.

CHIEF OPERATING OFFICERS

Andrea Malagoli

Delegated powers: the powers associated with responsibility for the Dairy & Food business.

Giovanni Pecchioli

Delegated powers: the powers associated with responsibility for the Pharmaceutical business.

DIRECTORS

Stefano Cataudella, Paolo Frugoni, Marco Galliani, Luca Poggi, Pierantonio Riello, Rita Rolli, Maria Carla Schiavina, Gianluca Vacchi, Valentina Volta.

BOARD OF AUDITORS

(In office until the Shareholders' Meeting called to approve the financial statements at 31 December 2018)

STANDING AUDITORS

Francesco Schiavone Panni - Chairman

Roberta De Simome

Riccardo Pinza

ALTERNATE AUDITORS

Elena Spagnol

Giovanna Bolognese

Federico Ferracini

COMMITTEE (*)

Paolo Frugoni - Chairman - Independent Director

Pierantonio Riello - Independent Director

Maria Carla Schiavina - Non-executive Director

(*) The Committee combines the functions, duties and powers suggested or assigned by the code to the Nominations Committee, the Remuneration Committee and the Internal Control and Risk Committee.

**MANAGER RESPONSIBLE FOR
PREPARING THE FINANCIAL
REPORTS**

Sergio Marzo

LEAD INDEPENDENT DIRECTOR

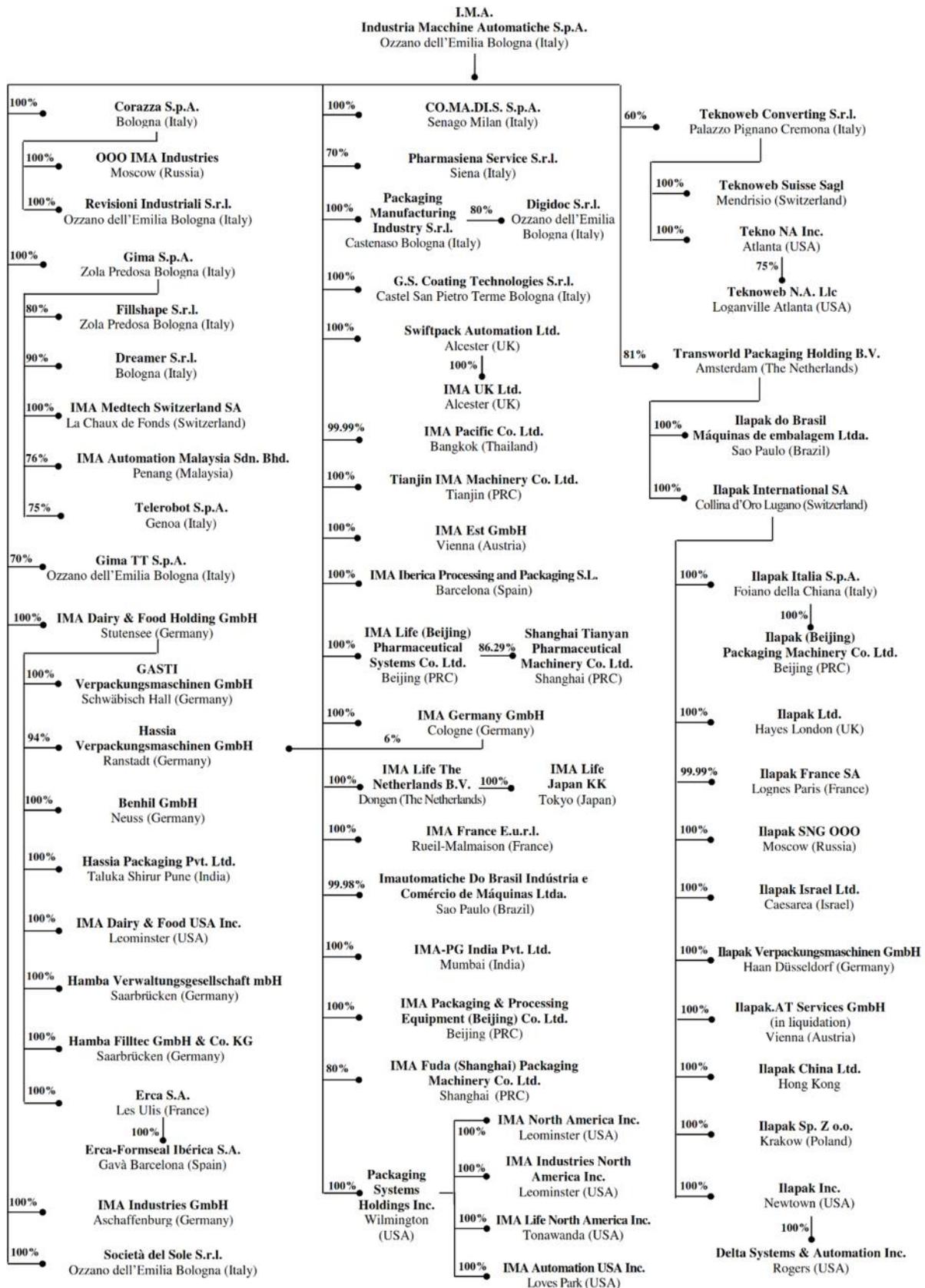
Paolo Frugoni

INDEPENDENT AUDITORS

(In office until the Shareholders' Meeting called to approve the financial statements at 31
December 2021)

EY S.p.A.

GROUP STRUCTURE



GROUP PERFORMANCE

THE ECONOMIC SCENARIO

Shareholders,

Business surveys showed an acceleration in the world economy from the third quarter of 2016. The election of Trump to the US Presidency has created expectations of an expansionary fiscal policy, strengthening the American economy's growth forecasts. The Eurozone continues along its path of moderate growth, which is likely to extend into 2017. Next year is an election year for the Netherlands, France and Germany, a factor that may lead to increased uncertainty about their economic policies. 2017 will also see the start of the Brexit negotiations.

Generally speaking, the state of the global economy continues to improve, influencing the dynamics of international trade and the trend in manufacturing activity. Thanks to the agreement reached by the members of OPEC, oil prices rebounded from the lows of early 2016, leading to a resumption of inflation expectations. The Chinese economy has also begun to benefit from the recovery in foreign demand thanks to the economic policy stimulus, registering a growth rate that was better than expected.

In this context, our Group managed to achieve its objectives for 2016, with a further increase in sales over the previous year and higher profits, confirming the strength of the IMA brand and of our product policies.

The high level of the order book at 31 December 2016 and the positive trend in new orders during the first few months of the current year enable us to confirm our forecasts of further growth.

CONSOLIDATED
INCOME STATEMENT

The Group closed 2016 with net profit of 101.39 million euros, compared with 77.84 million euros in 2015.

The following table sets out on a comparative basis the most significant figures from the Group's reclassified income statement of the previous year:

in millions of euros	2016		2015		% Change %
	Amount	%	Amount	%	
Revenues	1,310.85		1,109.54		18.1
Cost of sales	(830.26)	63.3	(688.77)	62.1	
Industrial gross profit	480.59	36.7	420.77	37.9	14.2
R&D costs	(48.15)		(40.05)		
Sales costs	(128.12)		(115.33)		
General and administrative costs	(157.05)		(140.30)		
Operating profit before writedowns/impairment/ non-recurring items (EBITA)	147.27	11.2	125.09	11.3	17.7
Non-recurring items	(5.93)		(9.47)		
Operating profit (EBIT)	141.34	10.8	115.62	10.4	22.2
Net financial income (expense)	6.28		(1.04)		
Profit (loss) from investments accounted for using the equity method	1.53		0.51		
Profit before tax	149.15	11.4	115.09	10.4	29.6
Taxes	(47.76)		(37.25)		
Profit for the year	101.39	7.7	77.84	7.0	30.3
Profit attributable to non-controlling interests	(7.85)		(7.92)		
Profit attributable to equity holders of the parents	93.54	7.1	69.92	6.3	33.8
Gross operating profit (EBITDA) before non-recurring items	185.08	14.1	157.52	14.2	17.5
Gross operating profit (EBITDA)	179.15	13.7	148.05	13.3	21.0
Order book	766.18		649.92		17.9

REVENUES BY SECTOR

in millions of euros	2016		2015		Change %
	Amount	%	Amount	%	
Tea, Food & Other	757.42	57.8	590.46	53.2	28.3
Pharmaceutical	553.43	42.2	519.08	46.8	6.6
Total	1,310.85	100.0	1,109.54	100.0	18.1

Consolidated revenues in 2016 amounted to 1,310.85 million euros, an overall increase of 18.1%, of which 12.0% due to the organic growth, with respect to the previous year.

The performance of revenues by segment is discussed in detail in the section entitled "Analysis of segment performance". However, in this regard: the Tea, Food & Other Sector reports an increase in revenues of 28.3% and revenues in the Pharmaceutical Sector grow by 6.6% with respect to last year.

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

in millions of euros	2016		2015		Change %
	Amount	%	Amount	%	
Tea, Food & Other	332.30	43.4	256.46	39.5	29.6
Pharmaceutical	433.88	56.6	393.46	60.5	10.3
Total	766.18	100.0	649.92	100.0	17.9

REVENUES BY GEOGRAPHICAL AREA

in millions of euros	2016		2015		Change %
	Amount	%	Amount	%	
European Union (excluding Italy)	395.45	30.2	352.71	31.8	12.1
Other European countries	97.33	7.4	68.89	6.2	41.3
North America	218.69	16.7	223.42	20.1	(2.1)
Asia & Middle East	294.65	22.5	227.77	20.5	29.4
Other countries	128.63	9.8	118.26	10.7	8.8
Total exports	1,134.75	86.6	991.05	89.3	14.5
Italy	176.10	13.4	118.49	10.7	48.6
Total	1,310.85	100.0	1,109.54	100.0	18.1

Export revenues represent more than 86%, with increases in the EU, Asia and the Middle East, as well as in other EU and non-EU countries, while the North American market is essentially stable. About 70% of revenues were generated by plant and machines, while 30% came from after-sales activities (support, spares, kits etc.).

The Group does not expect to have significant repercussions from Brexit as the UK market represents about 3% of the total.

In particular:

-) revenues from European Union countries, excluding Italy, increased in France, Scandinavia and Ireland;
-) sales in other European countries record an increase compared with the previous year, especially in Russia;
-) North America is more or less stable, in a context essentially without any significant local competitors;

-) Asia & Middle East grew by 29.4% overall, confirming the importance of this market that always generates more than 20% of the Group's sales, confirming past trends. The progress in local economies is generating an improvement in production standards closer to those of the West and as a consequence a demand for machinery more in line with what we can offer. In particular, there has been growth in Turkey, UAE, India, China and Japan;
-) the revenues from other countries reflect a variety of trends with an increase in Brazil, Mexico and Australia and a decrease in North Africa;
-) the increase in Italy of more than 48% was due to a larger number of projects compared with the previous year. These fluctuations recur annually since revenues depend on the level of investment projects of the pharmaceutical companies, which is inevitably unstable in a small market like Italy.

INDUSTRIAL GROSS PROFIT

Industrial gross profit was 36.7% of revenues, compared with 37.9% in 2015, because of a different mix of products connected with the acquisition of the Medtech and Telerobot businesses.

R&D COSTS

Research and development costs amount to 48.15 million euros, with a rise compared with 40.05 million euros last year, representing 3.7% 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 our strong orientation to be seen as a solution provider rather than a vendor of products. This approach has always been a distinguishing characteristic of our Group and, over the years, has resulted in a strong market leadership position.

Development continued during the year on several entirely new product families, thus expanding the Group's product range. The costs capitalised during the year in relation to the projects for the Tea&Food and Pharmaceuticals segments amounted to 10.1 million euros (11.8 million euros in 2015) and will be amortized once the products are available for sale.

SALES COSTS

Sales costs inclusive of commissions paid to sales agents and intermediaries, amounted to 128.12 million euros, up 12.79 million euros with respect to 2015. Part of the change, 2.93 million euros, reflects the contribution of the Medtech and Telerobot businesses. They decline slightly as a percentage of sales at 9.8% compared with 10.4% in 2015, and include commissions paid to commercial intermediaries of 16.2 million euros (13.7 million euros in 2015) with a contribution from the new business of 0.15 million euros.

GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs increased by 16.75 million euros, from 140.30 million euros in 2015 to 157.05 million euros in 2016, with the Medtech and Telerobot businesses contributing 5.93 million euros. The increase is linked to the rise in unit labour costs and higher general costs.

OPERATING PROFIT (EBIT)

Consolidated EBITA comes to 147.27 million euros, which is 11.2% of sales, substantially in line with the previous year.

Operating profit (EBIT) came to 141.34 million euros (115.62 million euros in 2015) and was affected by non-recurring expenses mainly relating to the acquisition of the Medtech and Telerobot businesses for 2.04 million euros and the extraordinary costs incurred for certain loss-making contracts of the Dairy&Food business delivered in the years prior to the acquisition.

NET FINANCIAL INCOME (EXPENSE)

The balance of financial income and expense, as detailed in the notes to the financial statements, was a positive 6.28 million euros, whereas in 2015 it was negative for 1.04 million euros.

The change is mainly due to the financial income of 18.70 million euros generated by the early exercise of the option to purchase 20% of the Dairy&Food business, originally scheduled for April 2017, whereas the previous year included the gain related to the sale of the investment in CMH S.r.l. for 16.06 million euros.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENTS

The profit attributable to the shareholders of the parent company amounts to 93.54 million euros, compared with 69.92 million euros in the previous year, net of taxes of 47.76 million euros (37.25 million euros in 2015).

This increase on 2015 stems from a higher pre-tax result as a consequence of the matters discussed previously.

PROFITABILITY RATIOS

The principal profitability parameters are presented below:

Ratio	Breakdown	2016	2015
Return on sales (ROS)	Operating profit (EBIT)	10.8%	10.4%
	Revenues		
Return on investment (ROI)	Operating profit (EBIT)	38.2%	34.1%
	Net capital employed		
Return on equity (ROE)	Profit attributable to equity holders of the parent	36.6%	44.0%
	Equity		

The change in the profitability indices between 2016 and 2015 is the result of the operating profit and profit attributable to the shareholders of the parent company, as illustrated above.

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

The following table summarizes the Group's balance sheet and financial position at 31 December 2016:

in millions of euros	31.12.2016		31.12.2015		Change %
	Amount	%	Amount	%	
Trade receivables	308.91	83.4	247.98	73.2	24.6
Inventories	278.91	75.4	232.96	68.7	19.7
Trade payables	(476.82)	(128.8)	(374.57)	(110.5)	27.3
Other, net	(107.58)	(29.1)	(92.38)	(27.3)	16.5
Working capital	3.42	0.9	13.99	4.1	(75.6)
Property, plant and equipment	88.17	23.8	75.50	22.3	16.8
Intangible assets	332.77	89.9	321.44	94.8	3.5
Investments	26.02	7.1	23.06	6.8	12.8
Non-current assets	446.96	120.8	420.00	123.9	6.4
Provision for severance indemnities and other provisions	(80.26)	(21.7)	(95.09)	(28.0)	(15.6)
Net capital employed	370.12	100.0	338.90	100.0	9.2

FINANCED BY:

Net debt	99.94	27.0	163.12	48.1	(38.7)
Non-controlling interests	14.64	4.0	16.78	5.0	(12.8)
Group equity attributable to equity holders of the parents	255.54	69.0	159.00	46.9	60.7
Total sources of financing	370.12	100.0	338.90	100.0	9.2

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

WORKING CAPITAL

Working capital at 31 December 2016 amounted to 3.42 million euros. It has decreased compared with 13.99 million euros in 2015.

The change includes the consolidation of the Telerobot and Medtech businesses for a total of 20.47 million euros and a simultaneous decrease in other working capital items, as management remains strongly committed to structural control over such items.

The changes in the main balances are discussed below:

-) net trade receivables, increased by 60.93 million euros, because of the effect of the consolidation of the Medtech and Telerobot businesses of 30.90 million euros;
-) inventories increased by 45.95 million euros with the contribution of the Medtech and Telerobot businesses of 5.66 million euros, due to the higher order book achieved at the end of 2016. In terms of rotation, this figure is in line with the previous year thanks to the 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, have increased by 102.25 million euros, thanks to the contribution of the Medtech and Telerobot businesses of 12.86 million euros and to advances from customer due to the growth in the order book;
-) the "other, net" item amounted to 107.58 million euros on 92.38 million euros in 2015.

NON-CURRENT ASSETS

In total, non-current assets have increased by 26.96 million euros since 31 December 2015, principally due to the acquisition of the Medtech and Telerobot businesses (+23.99 million euros) and to investments carried out net of depreciation and amortization.

The following note analyses the changes in property, plant and equipment and intangible fixed assets:

in millions of euros	Non-current assets		
	Property, plant and equipment	Intangibles	Total
Increases	20.29	15.51	35.80
Sales and eliminations	(0.35)	(0.11)	(0.46)
Change in scope of consolidation	3.51	0.93	4.44
Acquisition of TEAMAC business unit	–	0.75	0.75
Acquisition of Medtech business	–	15.81	15.81
Acquisition of Telerobot S.p.A.	–	4.91	4.91
Amortization and depreciation charges	(11.69)	(26.12)	(37.81)
Exchange rate differences and other changes	0.91	(0.35)	0.56
Total	12.67	11.33	24.00

For more information refer to note 29 of the consolidated financial statements on business combination.

NET CAPITAL EMPLOYED

Compared with 31 December 2015, capital employed net of operating liabilities has increased by 31.22 million euros to 370.12 million euros as a result of the matters explained above.

NET DEBT

Net debt at 31 December 2016 amounts to 99.94 million euros and comprises:

in millions of euros	31.12.2016	31.12.2015
A. Cash and cash equivalents	(201.08)	(156.08)
B. Other cash equivalents	(3.90)	(2.86)
C. Investments in securities	(3.51)	(1.64)
D. Liquidity (A)+(B)+(C)	(208.49)	(160.58)
E. Current financial receivables	(2.15)	(4.18)
F. Current payables to banks	35.49	61.07
G. Current portion of non-current payables	57.02	40.34
H. Other current financial payables	1.02	0.98
I. Current financial debt (F)+(G)+(H)	93.53	102.39
J. Net current financial debt (D)+(E)+(I)	(117.11)	(62.37)
K. Non-current portion of non-current bank payables	108.37	112.11
L. Bond issued	110.50	115.45
M. Other non-current financial payables	2.32	1.82
N. Non-current financial assets	(4.14)	(3.89)
O. Net non-current financial debt (K)+(L)+(M)+(N)	217.05	225.49
P. Net financial debt (J)+(O)	99.94	163.12

The items included in net debt are analyzed in notes 5, 12 and 15 to the consolidated financial statements.

With reference to 31 December 2016, the decrease in net debt, amounting to 63.18 million euros, is mainly due to the capital increase carried out in June of 90.7 million euros, net of the acquisition of the Medtech and Telerobot businesses totalling 24.4 million euros, the purchase of the minority shareholdings of GIMA S.p.A. and GIMA TT S.p.A. totalling 35.6 million euros and the dividends distributed by the Parent Company (52.5 million euros paid in May 2016). This result is due to the strong Group cash generation, once again confirming effective management of net working capital.

**EQUITY ATTRIBUTABLE TO
EQUITY HOLDERS OF THE PARENT**

Equity totalled euros 255.54 million at year end. The increase of 96.54 million euros since 31 December 2015, was due to the following movements:

Distribution of dividends	(52.51)
Capital increases	91.14
Purchase and sale of treasury shares	-
Exchange rate differences on the translation of foreign currency financial statements	(0.28)
Measurement of financial instruments recognised in equity	(0.52)
Remeasurement of defined benefit plans	(1.96)
Acquisition of non-controlling interests	(32.87)
Profit attributable to equity holders of the parent	93.54
Total	96.54

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

The following table reconciles 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 2016:

in millions of euros	Shareholders' equity	Profit for the year
Equity and Profit for the year of IMA S.p.A.	273.37	72.35
Elimination of book value of consolidated investments and related dividends	(580.58)	(54.58)
Elimination of writedowns of consolidated investments	-	2.70
Equity and Result for the year of consolidated companies and measurement of investments using the equity method	392.11	72.06
Recognition of differences arising from purchase of investments	175.01	(13.17)
Elimination of intercompany profit/loss on inventories and fixed assets and other adjustments	(4.37)	(4.52)
Capital gains on exercise of option Dairy&Food	-	18.70
Equity and Profit attributable to equity holders of the parent	255.54	93.54

**ANALYSIS OF
PERFORMANCE BY SECTOR**

The following table analyzes consolidated performance by business segment in 2016:

in millions of euros	Tea, Food & Other	Pharmaceutical	Not allocated	Total
Revenues	757.42	553.43	-	1,310.85
Gross operating profit (EBITDA) before non-recurring items	100.92	84.16	-	185.08
Gross operating profit (EBITDA)	95.33	83.82	-	179.15
Operating profit (EBIT)	67.67	73.67	-	141.34
Net capital employed (*)	260.94	103.35	5.83	370.12
R&D costs	21.72	26.43	-	48.15
Average personnel	2,593	2,516	-	5,109
Order book	332.30	433.88	-	766.18

(*) Unallocated assets and liabilities mainly relate to investments, income tax receivables and payables and net deferred tax assets not directly attributable to the operating sectors.

Net capital employed includes 152.50 million euros of goodwill, attributed to the Tea, Food & Other Sector for 90.39 million euros and to the Pharmaceutical sector for 62.11 million euros.

TEA, FOOD & OTHER

in millions of euros	2016	2015	Change %
Revenues	757.42	590.46	28.3
Gross operating profit (EBITDA) before non-recurring items	100.92	83.34	21.1
Gross operating profit (EBITDA)	95.33	74.18	28.5
Operating profit (EBIT)	67.67	51.21	32.1
Net capital employed (*)	260.94	231.46	12.7
R&D costs	21.72	18.24	19.1
Average personnel	2,593	2,144	
Order book	332.30	256.46	29.6

(*) Net capital employed includes goodwill of 90.39 million euros (73.45 million euros at 31 December 2015).

The Tea, Food & Other Sector, which produces machines for the packaging of tea and herbal teas in filter bags and the packaging of coffee for the food & beverage sector, for the personal care sector, for end-of-line equipment, for the cheese and stock cubes sector, for the tobacco sector, as well as for primary packaging in the food sector with the use of flexible material (horizontal and vertical flow packs for assembling) plus related services.

The Tea, Food & Other Sector comprises activities carried out by the Tea & Herbs and BFB divisions of IMA S.p.A., GIMA S.p.A., GIMA TT S.p.A., Corazza S.p.A., Revisioni Industriali S.r.l. and Telerobot S.p.A. and by the Ilapak, Teknoweb, Dairy&Food and Medtech businesses.

Product sales and the related after-sales support are handled by IMA's branches operating in the countries covered by them, while all other locations are covered by the Company, either directly or through agents.

Segment revenues have increased by 28.3% (+166.96 million euros) over the previous year, thanks to the contributions by the Medtech and Telerobot business (68.08 million euros) and by Corazza, Dairy&Food and GIMA TT S.p.A. and generally confirming the strong leadership position held by the Group in these niche markets. Gross operating profit before non-recurring charges came to 100.92 million euros (13.3% of revenues) compared with 83.34 million euros in 2015 (14.1% of revenues). The order book has risen by 29.6% compared with the previous year, providing good visibility for the coming year.

Net invested capital increased mainly thanks to the Medtech and Telerobot businesses as mentioned above.

PHARMACEUTICAL

in millions of euros	2016	2015	Change %
Revenues	553.43	519.08	6.6
Gross operating profit (EBITDA) before non-recurring items	84.16	74.18	13.5
Gross operating profit (EBITDA)	83.82	73.87	13.5
Operating profit (EBIT)	73.67	64.41	14.4
Net capital employed (*)	103.35	107.17	(3.6)
R&D costs	26.43	21.81	21.2
Average personnel	2,516	2,432	
Order book	433.88	393.46	10.3

(*) Net capital employed includes goodwill of 62.11 million euros (62.16 million euros at 31 December 2015).

The Pharmaceuticals sector produces 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, tube-filling and cartoning, systems for the production of tablets and capsules and for coating and fluid-bed granulation, as well as related services.

It also includes the activities of the following divisions: Active, Safe and Life of IMA S.p.A., and of the following companies: CO.MA.DI.S. S.p.A., G.S. Coating Technologies S.r.l., Pharmsiena Service S.r.l., IMA-PG India Pvt Ltd., Shanghai Tianyan Co. Ltd., Swiftpack Automation Ltd., IMA North America Inc., IMA Life The Netherlands B.V., IMA Life North America Inc. and IMA Life (Beijing) Pharmaceutical Systems Co. Ltd.

This segment's products are sold through IMA's network of branches in the countries concerned, which also provides after-sales service. The rest of the world is covered by an established network of agents. The pharmaceuticals industry represents the principal market, although there is growing demand from the cosmetics industry.

The revenues of the Pharmaceutical Sector show a good increase of 6.6% (+34.35 million euros). The sector has seen a sharp increase over the previous year, achieving a gross operating profit (EBITDA) of 83.82 million euros (15.1% of sales) compared with 73.87 million euros in 2015 (14.2% of sales) as a result of higher volumes, higher profitability of contracts due to an improved sales margins of certain products that have achieved the expected levels of profitability

Net capital employed fell slightly to 103.35 million euros (107.17 million euros at the end of 2015), despite the growth in revenues. The difference comes mainly from the reduction in working capital.

The order book, which is growing rapidly, is the result of an ongoing process of acquiring more and more new orders during the year, a reflection of the success of this segment's product range.

INVESTMENTS

Capital expenditure on intangible assets amounted to 15.51 million euros (15.74 million euros in 2015) and related mainly to the capitalization of development costs incurred on totally new products for market segments not previously occupied.

The acquisitions carried out during the period involved taking on 25.91 million euros of property, plant and equipment and intangible assets on a provisional basis, as detailed in Note 29 of the consolidated financial statements.

Capital expenditure on property, plant and equipment in 2016 amounted to 20.29 million euros (19.55 million euros in 2015) and mainly related to the extension and upgrading of existing buildings rented by IMA S.p.A., the capitalisation of machinery and electronic equipment and the costs involved in Delta Systems & Automation Inc. building a new factory in Arkansas (USA).

Depreciation and amortization for the period was 37.81 million euros, compared with 32.43 million euros the previous year. The increase mainly reflects depreciation and amortization attributable to the newly acquired Medtech business and the Dairy&Food business, which was consolidated for 10 months in the previous year.

ALTERNATIVE PERFORMANCE INDICATORS

This report on operations also includes some performance indicators to give a better picture of the Group's operations and financial position.

On 3 December 2015, Consob issued its Communication no. 92543/15 rendering applicable the Guidelines issued on 5 October 2015 by the European Securities and Markets Authority (ESMA) as regards the presentation of these indicators in regulated information issued to the market or in financial statements published from 3 July 2016 onwards. These guidelines, which update the previous CESR Recommendation (CESR/05-178b), are designed to promote the usefulness and transparency of alternative performance indicators included in regulated information or in financial statements falling within the scope of Directive 2003/71/EC, in order to improve their comparability, reliability and ease of understanding. In line with the Communications mentioned above, we provide below the criteria used in preparing these indicators.

The income statement classified by purpose as and prepared according to 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;
-) research and development costs: these include, by function, costs relating to the research and development of new products or to the maintenance of existing products. They also include costs relating to technical personnel, materials used for experiments and the overheads of technical offices;
-) sales 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 the costs associated with general operations such as administrative offices in the broadest sense, the management of sectors or divisions, production planning and all depreciation and amortisation not directly related to the foregoing functions;
-) gross operating profit (EBITDA): this corresponds to the sum of operating profit, depreciation and amortisation for the period and writedowns. EBITDA is an indicator used as a financial target in internal and external presentations and is a useful measure for evaluating the Group's performance.

The following main items in the reclassified income statement are equivalent to the corresponding items in the consolidated income statement forming part of the "Consolidated financial statements": revenues, operating profit, financial income and expense, profit before tax, income taxes and net profit for the year.

The statement of financial position is structured so that assets and liabilities are classified to show the net capital invested. The following main items in the statement of financial position are equivalent to the corresponding items in the consolidated statement of financial position included in the "Consolidated financial statements": inventories, property, plant and equipment and intangible assets, equity pertaining to the parent company's shareholders and minority interest.

Lastly, when preparing the analysis of net debt, we took account of Consob Communication DEM/6064293 dated 28 July 2006, while including financial receivables, mainly classified as non-current financial assets. The figure for non-current financial assets differs from that reported in the balance sheet as it does not include equity interests in other companies.

HUMAN RESOURCES, TRAINING AND INDUSTRIAL RELATIONS

For our clients, the IMA Group is not merely a supplier of products, albeit incorporating highly sophisticated technology, but rather a solver of complex problems via specially designed solutions that are custom-tailored to meet their individual requirements. This means that all our business processes, from preparing bids, to sales, from production/design to after-sales support, including contractual and administrative matters, have to be conducted with an extremely low level of repetitiveness. Accordingly, the proper functioning of these processes depends on the initiative and pro-active approach of the individuals who work within them, and on their ability to work together with everyone else in the organization, in teamwork at its best. As such, although it is true for every firm that the quality of its human resources represents a critical success factor, this is even more true for the IMA Group where our people represent our principal asset, incorporating all our knowledge and skill. Knowledge and skill that cannot easily be documented and codified, for the very reason that 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 organisational 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 2016, the average number of Group employees came to 5,109, compared with 4,576 in 2015.

The geographical breakdown of the workforce is as follows:

	2016	2015	Change
Italy	2,496	2,343	153
India	547	523	24
Germany	539	454	85
USA	427	353	74
China	265	271	(6)
Switzerland	234	134	100
France	212	178	34
Eastern Europe	103	96	7
UK	100	97	3
Spain	62	53	9
Malaysia	41	-	41
The Netherlands	31	28	3
Brazil	26	22	4
Japan	10	10	-
Israel	9	7	2
Thailand	7	7	-
Total	5,109	4,576	533

The excellent educational standard of the human resources employed by the Group is demonstrated by the fact that more than 88% have a high-school diploma or university degree.

With reference to the Group's organisational structure, around 21.7% of employees work in the commercial area, including pre-sales and after-sales, 22.2% in our R&D laboratories, 15.2% in central functions (Administration, IT, Procurement, Quality, Human Resources, etc.) and 40.9% in production/logistics.

This distribution of the workforce is a good reflection of the Group's business model, which is designed to retain the activities that represent critical and distinctive skills and outsource all other activities. The high degree of professionalism is also reflected in the fact that over 72% of employees occupy clerical and managerial grades.

PERSONNEL COSTS

Payroll amounted to 371.49 million euros, compared with 329.45 million euros in the prior year, absorbing 28.3% of net revenues.

Personnel costs related to the companies of the Medtech business and Telerobot S.p.A., not included in the scope of consolidation in 2015, amounted to 19.36 million euros in the period April to December 2016.

In addition, the higher level of costs compared with the prior year is mainly due to Italian labour costs, which, taking into account the major elements of remuneration, have increased by 4.49%, triggered by pay rises under the National Collective Bargaining Agreement for Metalworkers, pay rises under the Company Supplementary Agreement, as well as more overtime worked and the Group's bonus policy. Personnel costs has also risen in line with an increase in the number of employees and collaborators in the year.

Lastly, personnel costs include 2.44 million euros of non-recurring charges relating mainly to the reorganisation of the Dairy&Food business (5.11 million euros in 2015 mainly relating to the Tea, Food & Other business following the absorption of IMA Industries S.r.l. by IMA S.p.A.).

HUMAN RESOURCES POLICY

The IMA Group continued to focus on the individual within the organisation. 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 well-being 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 turnover of less than 3% and absenteeism, which remains at a level that can be considered normal.

TRAINING

During the year, more than 62% of employees were involved in training designed to improve 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 pursued our ongoing and constructive relationship with the trade unions.

This consolidated relationship allows a substantial absence of disputes.

HEALTH, SAFETY AND THE ENVIRONMENT

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

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

As confirmation of the above, during 2016 we further increased our commitment and investment in staff training and information, which is considered the fulcrum of the safety management system currently in use. Above all, we can confirm that a culture of safety has to be pursued by involving all those who are in charge of the various production structures.

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

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

Wanting to focus on specific activities carried out in 2016, we would highlight the achievement of the BS OHSAS 18001 certification of the Safety at Work Management System by Corazza S.p.A. and GIMA TT S.p.A.; this certification had been already obtained by the Parent Company IMA S.p.A. in 2014.

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

RELATED-PARTY TRANSACTIONS

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

By a resolution adopted on 1 December 2010, the Board therefore implemented the procedure on related parties, which takes account of the additional instructions on how to apply the new rules provided in Consob Communication DEM/10078683 of 24 September 2010.

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

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

The IMA Group carries on business with related parties, mainly comprising persons who are responsible for administration and management within IMA S.p.A., or entities that are controlled by them. 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.

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

Note that during the period:

-) there were no significant transactions, as defined in the Consob regulation;
-) there were no individual related-party transactions that have significantly impacted the balance sheets or results of Group companies;
-) there have been no changes or developments in Related Party transactions as disclosed in the last annual report that have had a significant effect on the companies' balance sheets or results;

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

PERFORMANCE OF IMA S.P.A.

The commentary on Group performance has implicitly covered the activities of 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, operating profit, financial income and expense, profit before tax, income taxes and net profit for the year.

The Parent Company's reclassified income statement for 2016, along with 2015 comparatives, is set out as follows:

in millions of euros	2016		2015		Change %
	Amount	%	Amount	%	
Revenues	591.72		541.87		9.2
Cost of sales	(362.09)	61.2	(327.02)	60.4	
Industrial gross profit	229.63	38.8	214.85	39.6	6.9
R&D costs	(31.20)		(27.46)		
Sales costs	(63.71)		(60.60)		
General and administrative costs	(64.95)		(60.66)		
Operating profit before writedowns/impairment/ non-recurring items (EBITA)	69.77	11.8	66.13	12.2	5.5
Non-recurring items	(1.06)		(5.11)		
Operating profit (EBIT)	68.71	11.6	61.02	11.3	12.6
Net financial income (expense)	25.53		26.20		
Profit before tax	94.24	15.9	87.22	16.1	8.0
Taxes	(21.89)		(20.10)		
Profit for the year	72.35	12.2	67.12	12.4	7.8
Gross operating profit (EBITDA) before non-recurring items	79.35	13.4	74.37	13.7	6.7
Gross operating profit (EBITDA)	78.29	13.2	69.26	12.8	13.0
Order book	398.50		356.99		11.6

REVENUES BY GEOGRAPHICAL AREA

in millions of euros	2016		2015		Change %
	Amount	%	Amount	%	
European Union (excluding Italy)	173.87	29.4	178.65	33.0	(2.7)
Other European countries	48.64	8.2	33.93	6.2	43.4
North America	54.31	9.2	68.12	12.6	(20.3)
Asia & Middle East	142.99	24.1	115.88	21.4	23.4
Other countries	54.80	9.3	55.49	10.2	(12)
Total exports	474.61	80.2	452.07	83.4	5.0
Italy	117.11	19.8	89.80	16.6	30.4
Total	591.72	100.0	541.87	100.0	9.2

Over 80% of revenues were generated outside Italy, even higher than in 2015 following organic growth. About 70% of revenues were generated by plant and machines, while 30% came from after-sales activities (support, spares, kits etc.).

In terms of the geographical distribution of sales, there was a growth in Italy, other EU countries and Asia & Middle East and a decrease in North America.

INDUSTRIAL GROSS PROFIT

The increase in industrial gross profit reflects the higher volume of sales, with a slight decrease in the profit margin to 38.8% from 39.6% in 2015, due to a different sales mix.

R&D COSTS

The R&D costs incurred during the year amounted to 31.20 million euros (27.46 million Euro in 2015). This amount only relates to costs incurred to develop new products or update the technology of products already in distribution. The balance therefore excludes the cost of development work ordered by specific clients and the cost of customizing products that are already being distributed. Such expenditure is included in the cost of sales since it is invoiced to the clients concerned.

SALES COSTS

Sales costs, including commissions paid to agents and intermediaries, totalled 63.71 million euros, compared with 60.60 million euros in 2015 and include 23.94 million euros of commissions paid to agents (21.05 million in 2015). Management is nevertheless working to improve the efficiency of the commercial structure all this will increase unit labour costs.

GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs amounted to 64.95 million euros on 60.66 million euros in 2015. This increase is linked to the rise in personnel costs and general expenses.

OPERATING PROFIT (EBIT)

EBITA is consequently higher compared with the previous year, with operating profit rising to 68.71 million euros versus 61.02 million euros in 2015.

NET FINANCIAL INCOME (EXPENSE)

Net financial income, described further in the notes to the financial statements, amounted to 25.53 million euros (26.20 million euros in 2015).

The principal captions and changes are discussed below:

-) dividends received from subsidiaries amounted to 34.37 million euros in 2016 compared with 23.20 million euros in the previous year; the difference is due to higher dividends received from subsidiary companies in 2015;
-) the interest paid to service debt, including discount interest, amounts to 10.20 million euros (11.25 million euros in 2015);
-) in 2016, the capital gains realised on the sale of the investments in IMA Industries India Pvt. Ltd. and IMA UK Ltd. came to 3.04 million euros (17.59 million Euros in 2015 when there was the gain on the sale of the joint venture CMH S.r.l.)

PROFIT FOR THE YEAR

The result for the period amounted to 72.35 million euros (67.12 million euros in 2015), after income taxes of 21.89 million euros (20.10 million euros in 2015), maintaining the same effective rate of tax compared with the previous year.

BALANCE SHEET AND FINANCIAL POSITION

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

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

The company's balance sheet and financial position at 31 December 2016 are summarized below:

in millions of euros	31.12.2016		31.12.2015		Change %
	Amount	%	Amount	%	
Trade receivables	144.48	35.8	125.41	33.2	15.2
Inventories	132.03	32.7	117.61	31.2	12.3
Trade payables	(266.46)	(66.0)	(221.95)	(58.8)	20.1
Other, net	(50.98)	(12.6)	(38.87)	(10.3)	31.2
Working capital	(40.93)	(10.1)	(17.80)	(4.7)	129.9
Property, plant and equipment	32.61	8.1	28.57	7.6	14.1
Intangible assets	43.90	10.9	42.22	11.2	4.0
Investments	367.24	90.9	324.02	85.9	13.3
Non-current assets	443.75	109.9	394.81	104.7	12.4
Provision for severance indemnities and other provisions	0.97	0.2	0.25	–	n.s.
Net capital employed	403.79	100.0	377.26	100.0	7.0

FINANCED BY:

Net debt	130.42	32.3	217.79	57.7	(40.1)
Equity	273.37	67.7	159.47	42.3	71.4
Total sources of financing	403.79	100.0	377.26	100.0	7.0

WORKING CAPITAL

Working capital at 31 December 2016 was negative at -40.93 million euros, a further decrease on 2015 (-17.80 million euros) due to the increase in trade payables and advances from customers, which more than offset the increase in trade receivables and inventories related to higher sales volumes. It is made up of:

-) trade receivables increased by 19.07 million euros, from 125.41 million euros at 31 December 2015 to 144.48 million euros at 31 December 2016, mainly because of higher sales volumes;
-) inventories are up by 14.42 million euros (from 117.61 million euros at 31 December 2015 to 132.03 million euros at 31 December 2016) due to higher sales volumes;
-) trade payables, including advances from customers are up by 44.51 million euros (from 221.95 million euros at 31 December 2015 to 266.46 million euros at 31 December 2016), because of the growth in the order book at the end of the year, resulting in higher purchases and advances from customers.

NON-CURRENT ASSETS

Overall, non-current assets have increased by euros 48.94 million since 31 December 2015. As part of this aggregate, equity investments have increased by 43.22 million euros and non-current assets by 5.72 million euros.

The changes in tangible and intangible assets, net of depreciation and amortization, are as follows:

in millions of euros	Non-current assets		
	Property, plant and equipment	Intangible	Total
Increases	8.75	7.08	15.83
Sales and eliminations	(0.04)	(0.49)	(0.53)
Amortization and depreciation charges	(4.67)	(4.91)	(9.58)
Total	4.04	1.68	5.72

The change in Investments is mainly due to the purchase of additional shareholdings in GIMA TT S.p.A. for 12.38 million euros and GIMA S.p.A. for 23.0 million euros and early exercise of the put & call option for the purchase of the remaining 20% of IMA Dairy & Food Holding GmbH for 4.0 million euros. For changes in individual items, see Note 3 of the separate financial statements.

NET CAPITAL EMPLOYED

Compared with 31 December 2015, capital employed net of operating liabilities has increased by 26.53 million euros to 403.79 million euros for the reasons described above.

NET DEBT

Net debt at 31 December 2016 amounts to 130.42 million euros and comprises:

in millions of euros	31.12.2016	31.12.2015
A. Cash and cash equivalents	(62.60)	(99.44)
B. Other cash equivalents	-	-
C. Investments in securities	(3.51)	(1.64)
D. Liquidity (A)+(B)+(C)	(66.11)	(101.08)
E. Current financial receivables	(105.52)	(23.08)
F. Current payables to banks	26.92	27.58
G. Current portion of non-current payables	56.14	39.86
H. Other current financial payables	9.59	51.17
I. Current financial debt (F)+(G)+(H)	92.65	118.61
J. Net current financial debt (D)+(E)+(I)	(78.98)	(5.55)
K. Non-current portion of non-current bank payables	108.05	111.84
L. Bonds issued	110.50	115.45
M. Other non-current financial payables	-	-
N. Non-current financial assets	(9.15)	(3.95)
O. Non-current financial debt (K)+(L)+(M)+(N)	209.40	223.34
P. Net financial debt (J)+(O)	130.42	217.79

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

The analysis of net debt takes account of Consob Communication DEM/6064293 dated 28 July 2006, while including the financial receivables classified as non-current financial assets.

Net debt, amounting to 130.42 million euros, has decreased by 87.37 million euros since 31 December 2015, when it totalled 217.79 million euros, mainly because of the increase in capital of 90.66 million euros carried out in June 2016 and net of dividends paid of 52.51 million euros. Since we plan to maintain the same level of investment and continue to hold down working capital, good cash generation can be expected in 2017 in view of the improved results that we are looking for.

SHAREHOLDERS' EQUITY

Equity totalled euros 273.37 million at year end. The increase of 113.90 million euros since 31 December 2015, was due to the following movements:

Distribution of dividends	(52.51)
Operations between entities under common control	3.46
Capital increases	91.14
Purchase and sale of treasury shares	–
Measurement of financial instruments recognised in equity	(0.35)
Remeasurement of defined benefit plans	(0.19)
Profit for the year	72.35
Total	113.90

INVESTMENTS

During 2016, the Company invested 7.08 million euros (6.34 million euros in 2015) in intangible assets and 8.75 million euros (11.17 million euros in 2015) in property, plant and equipment, for a total of 15.83 million euros (17.51 million euros in 2015).

Capital expenditure on intangible assets refers mainly to software and licences related to the commercial, sale, logistics and technical area for 1.80 million euros and to the capitalisation of development costs incurred on totally new products for market segments not previously occupied for 3.76 million euros.

With regard to expenditure on tangible assets, they are mainly for leasehold improvements (2.98 million euros), plant and equipment (0.54 million euros) and electronic equipment (1.13 million euros).

HUMAN RESOURCES, TRAINING AND INDUSTRIAL RELATIONS

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

EMPLOYEES

In 2016, the average number of IMA employees came to 1,810, compared with 1,761 in 2015.

The breakdown of the workforce by grade is summarized below:

	31.12.2016	31.12.2015
Management	49	48
Office workers	1,430	1,369
Production workers	331	344
Total	1,810	1,761

The excellent educational standard of the human resources employed by the Company is demonstrated by the fact that around 91% 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	18.4%	54.9%	45.1%
Research and development	24.5%	96.9%	3.1%
Production	42.9%	93.4%	6.6%
Central and administrative functions	14.2%	46.9%	53.1%
Total	100.0%	80.5%	19.5%

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 clerical and managerial grades occupy 81.9% of our employees.

Women, who make up 19.5% 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 149.97 million euros, compared with 149.09 million euros in the prior year.

Taking into account the principal elements of remuneration, personnel costs have risen by 1.8% on the previous year due to pay rises established by the National Collective Labour Contract for Metalworkers, to the Supplementary Agreement as well as an increase in overtime hours and the company's policy on bonuses. The higher personnel costs due to the increase in employees and co-workers used during the year were partially offset by the turnover due to retirements.

Lastly, personnel costs in 2016 include 1.06 million euros of non-recurring charges (5.11 million euros in 2015) relating mainly to the reorganisation of the Tea, Food & Other business.

TRAINING

IMA, like all organisations 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 organisational 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. In 2016, IMA S.p.A. provided more than 55,800 hours of training.

INDUSTRIAL RELATIONS

On the industrial relations front, we pursued our ongoing and constructive relationship with the trade unions. This consolidated relationship allows a substantial absence of disputes.

**HEALTH, SAFETY
AND THE ENVIRONMENT**

For IMA, the safety and health of workers and the working environment involves full compliance with current legislation and a management system focused on continuous improvement, also through specific training designed to create a "culture of safety".

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

As confirmation of the above, during 2016 we further increased our commitment and investment in staff training and information, which is considered the fulcrum of the safety management system currently in use. Overall, in 2016 around 6,046 hours of staff training was carried out on specific aspects of safety and hygiene in the workplace, in line with the previous year.

Furthermore, refresher training for workers and persons responsible for certain areas has been completed, involving all workers in accordance with the State-Regions Agreement dated 21 December 2011.

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

Wanting to focus on specific activities carried out in 2016, new types of work equipment, such as mobile cranes, were purchased and made available to workers to allow the safe movement and lifting of large and heavy sub-assemblies and parts making up new types of automatic machines which are assembled and tested inside the working environments.

We have maintained BS OHSAS 18001 certification of our Safety at Work Management System. For this purpose, the periodic audit was performed in February 2016 by an independent certification company which confirmed full compliance with all applicable regulations and full and correct implementation and effectiveness of the Safety at Work Management System. This system is applied at all sites in which IMA S.p.A. operates.

The main indicators of the effectiveness and quality of the action taken are the statistics for injury frequency and seriousness, respectively 3.28 (IF) and 0.07 (IS), are still low and, once again, lower than the previous year. They are determined with reference to the accident experience within the Company based on the UNI 7249 Standard.

On the topics of corporate social responsibility and responsibility versus the local community, we confirm our commitment to maintain high levels of safety and environmental protection. Specifically, the Company did not cause any damage to the environment during 2016.

IMA S.p.A. has also begun the process to achieve certification of its Environmental Management System according to ISO 14001, the most accredited standard in the world; in 2016, a first specific audit was performed by an independent certification company at the registered office in Ozzano dell'Emilia, via Emilia 428/442, which confirmed full compliance with all applicable environmental regulations and full and correct implementation and effectiveness of the Environmental Management System.

TRANSACTIONS WITH PARENT, SUBSIDIARY, ASSOCIATED COMPANIES AND JOINT VENTURE

There were numerous intercompany transactions during the year, all carried out within the framework of ordinary operations and on an arm's-length basis.

Intercompany transactions are in fact a part of the Group's organisational structure. They involve commercial activities (companies owned by IMA S.p.A. in various countries that market the Group's products as agents or dealers) and the manufacturing phase (subsidiaries of IMA S.p.A. that make certain types of machines and supplement the range supplied of IMA S.p.A. or their own range, by selling machines to or buying machines from IMA S.p.A.), as well as participation in the consolidated tax mechanism.

Transactions also include financial transactions among the Group companies, carried out within the framework of ordinary operations and on an arm's-length basis; none of these transactions can be considered atypical.

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

RELATED-PARTY TRANSACTIONS

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

By a resolution adopted on 1 December 2010, the Board therefore implemented the procedure on related parties, which takes account of the additional instructions on how to apply the new rules provided in Consob Communication DEM/10078683 of 24 September 2010.

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

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

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

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

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

HEADQUARTERS AND LOCAL UNITS OF IMA SPA

The activities of the Company are carried out at the following locations:

Via Emilia, 428-442 Ozzano dell'Emilia (Bologna) Registered offices
Via Tosarelli, 184 Castenaso (Bologna) Head office
Via 1 Maggio, 14/16 Ozzano dell'Emilia (Bologna) Factory
Via 1 Maggio, 93 Ozzano dell'Emilia (Bologna) Factory
Via 1 Maggio, 99/107 Ozzano dell'Emilia (Bologna) Warehouse
Via Emilia, 217/219 Ozzano dell'Emilia (Bologna) Factory
Via Emilia, 237 Ozzano dell'Emilia (Bologna) Offices
Via della Libertà, 1/15 Ozzano dell'Emilia (Bologna) Factory
Via Nobel, 1 Ozzano dell'Emilia (Bologna) Factory
Via Piave, 16 Ozzano dell'Emilia (Bologna) Factory
Via Tolara di Sotto, 51/A Ozzano dell'Emilia (Bologna) Offices
Via Tolara di Sotto, 121/A Ozzano dell'Emilia (Bologna) Factory
Via Romagnoli, 11 Bentivoglio (Bologna) Warehouse
Via Francesco Petrarca, 34/38/40 Calenzano (Florence) Factory
Via Francesco Petrarca, 35/37 Calenzano (Florence) Warehouse
Via J.F. Kennedy, 17 Zola Predosa (Bologna) Offices
Via Nobel 32/B Ozzano dell'Emilia (Bologna) Factory
Via Romagnoli, 11/2 Bentivoglio (Bologna) Factory
Via Nobel, 28/B Ozzano dell'Emilia (Bologna) Warehouse
Via Romagnoli, 2 Bentivoglio (Bologna) Factory
Via Bertella, 24 Ozzano dell'Emilia (Bologna) Factory
Via Piero della Francesca, 26 Trezzano sul Naviglio (Milan) Offices
Via Gabba Fratelli, 6 Milan Offices
Via dei Billi, 13 Ozzano dell'Emilia (Bologna) Warehouse

The Company does not have any secondary offices.

OTHER INFORMATION

SIGNIFICANT EVENTS AFTER YEAR-END

On 4 January 2017, IMA S.p.A. completed the acquisition of a 70% interest in MAI S.A. located in Argentina, which produces and sells machines for the packaging of tea and herbal teas in filter bags. The financial intervention amounts to 7.7 million US dollars, of which 5.7 million US dollars paid at the closing and the rest in three annual tranches. IMA has also been granted an option to buy 100%, which can be exercised in April 2021.

OUTLOOK FOR THE CURRENT YEAR

After turning in very good results, the Group closed 2016 with an order book that is excellent in terms of both quantity and quality, giving good visibility for the current year. The positive trend of the acquisition of new orders is continuing into the early months of this year in all sectors. Thanks to this situation, it is reasonable to assume that 2017 will have revenues of higher than 1.4 billion euros and a gross operating profit (EBITDA) of around 205 million euros.

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

In carrying on its business, the IMA Group is exposed to various types of risk which could have an impact on its economic 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, 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 risk. For a more detailed analysis of financial risk, please refer to the paragraph below entitled "Financial risk management policy and objectives";

- J staff competence: 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;
- J 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:

- J Credit risk, arising from commercial transactions or financing activities;
- J Liquidity risk, related to the availability of financial resources and access to the credit market;
- J 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 15 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 2016 treasury shares totalled 0.07 million euros, represented by 5,500 shares with a par value of 3 thousand euros. During the year the Parent Company did not carry out any transactions in treasury shares.

The official market value at 31 December 2016 was 0.32 million euros (0.26 million euros at 31 December 2015).

LEGISLATIVE DECREE 231/2001

At a meeting held on 27 March 2008, the Board of Directors adopted the organisation, management and control model envisaged by Legislative Decree 231 of 8 June 2001 concerning the administrative responsibility of legal persons.

The organisation, management and control model consists of a general part and several special parts; essentially, it explains IMA's corporate governance structure, the way that the Supervisory Board is established and functions, along with an explanation of the system of sanctions.

The types of crimes that the model is designed to avoid are (by way of example):

- a) crimes against the public administration;
- b) corporate crimes;
- c) market abuse;
- d) computer crimes;
- e) crimes against the person;
- f) crimes against industry and commerce and copyright;
- g) hygiene, health and safety at work;
- h) transnational crimes;
- i) receiving, laundering and using money, goods or assets of illicit origin;
- j) employing illegal immigrants.

Following the adoption of this model, certain internal procedures have been devised and/or modified.

At the same time as adopting the above model, a Code of Ethics was adopted and a Supervisory Board was appointed.

Despite having taken into consideration new legislation that provides for the possibility to assign the functions of the Supervisory Board to the Board of Statutory Auditors, the Board has decided, for the moment, not to take up this option, but is willing to examine the feasibility of this option in the near future.

The Supervisory Board comprises:

- Maria Lucia Sireci – Chairman, a professional with a legal background, who has a particular knowledge of the Company's organisational structure;
- Gerardo Diamanti, an independent professional with an economics background and particular experience in cash flow management;

- Mario Panzeri, a professional with a background in company law, specific experience of supervisory boards and particularly knowledgeable about protocols and procedures.

The Supervisory Board is responsible for supervision of the Organisation, Management and Control Model, monitoring compliance and taking care of updates, reporting periodically to the Board of Directors.

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

Over the years and most recently in 2014, the Organisation, Management and Control Model has been updated to reflect the results of its application and changes in the regulatory framework. The Compliance Manual and the Code of Ethics can be viewed on the Company's website: <http://www.ima.it>.

The Company's Model pursuant to Legislative Decree 231/2001 in force at 31 December 2016 was approved by the Board by resolution of 16 September 2014; in order to adapt the Company's organisational, administrative and accounting arrangements to the regulatory, jurisprudential and doctrinal changes which involved Legislative Decree 231/2001, during the year we started revising the model, whose approval is scheduled for the first few months of 2017.

CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE CODE

IMA subscribes to and enforces the Code of Conduct for Listed Companies approved in July 2016 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, ANIA, ASSOGESTIONI, ASSONIME and CONFINDUSTRIA, with the exceptions indicated in the Report on Corporate Governance and Ownership Structure prepared in accordance with art. 123 bis CFA. 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 can also be viewed, as can adoption of the individual items of the Code of Conduct 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, financing companies, banks, insurance companies and other large companies, on the basis of their own declarations:

Galliani Marco

] Cassa di Risparmio di Ravenna (Director)

Malagoli Andrea

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

Poggi Luca

] Boato Holding S.p.A. (Director)

] Boato International S.p.A. (Director)

] Fariniundici S.p.A. (Chairman)

] Eolo Partecipazioni S.r.l. (Chief Operating Officer)

] Finanziaria del Vetro (Director)

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

Rita Rolli

] Cassa dei Risparmi di Forlì e della Romagna (Independent Director)

] Trevi Finanziaria S.p.A. (Independent Director)

Schiavina Maria Carla

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

Vacchi Alberto

- J Alva S.p.A. (Chairman)
- J Etrusco S.r.l. (Sole Director)
- J Maestrone Investimenti S.r.l. (Sole Director)
- J Nemo Investimenti S.r.l. (Chairman)
- J SO.FI.M.A. S.p.A. (Director)

Vacchi Gianluca

- J Boato Holding S.p.A. (Chairman)
- J Boato International S.p.A. (Chairman)
- J Cofiva S.A. (Director)
- J Eleven Finanziaria S.r.l. (Sole Director)
- J First Investment S.p.A. (Sole Director)
- J SO.FI.M.A. S.p.A. (Director)

Vacchi Marco

- J Banca di Bologna Credito Cooperativo SCRL (Chairman)
- J Lopam Fin S.p.A. (Chairman)
- J Alva S.p.A. (Chief Operating Officer)
- J SO.FI.M.A. S.p.A. (Chairman)

Volta Valentina

- J Datalogic S.p.A. (Director)

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

During 2015 the Delegated Committees reported to the Board of Directors about the activities which were delegated to them at the first available Board meeting.

Certain members of the Board of Statutory Auditors of IMA, in compliance with the recommendation of Consob no. 97001574 of 20 February 1997, hold Board positions also in the following subsidiaries: CO.MA.D.I.S. S.p.A., GIMA S.p.A., GIMA TT S.p.A. and Corazza S.p.A., thus facilitating the provision of the information necessary to complete their duties to the Board of Statutory Auditors of the Parent Company.

As regards the information on the remuneration of directors, statutory auditors and managers with strategic responsibilities, specific reference should be made to the Remuneration Report prepared in accordance with article 123 ter CFA, which is published separately.

Pursuant to art. 3 of Consob Resolution no. 18079/2012, the Board of Directors of IMA S.p.A. decided to adopt, as of 3 December 2012, the opt-outs envisaged in arts. 70, paragraph 8, and 71, paragraph 1-bis of Consob's Issuers' Regulations. This means being able to choose not to prepare the prospectuses normally required in connection with significant transactions such as

mergers, demergers, increases in capital by means of contributions in kind, acquisitions and disposals.

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 article 123 bis, paragraph 3, of CFA, 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 (article 123 bis, paragraph 1, (a), CFA)

The share capital at 31 December 2016 amounts to 20,415,200 euros represented by 39,260,000 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 (article 123 bis, paragraph 1, (b), CFA)

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

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

At the date of this Report, based on the shareholders' register and the communications pursuant to article 120 of the CFA – as amended by article 1 of Legislative Decree 25 dated 15 February 2016 – and other information received, the parties listed in Table 1 directly or indirectly hold at least 3% 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.	57.00%	57.00%

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

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

The articles of association of IMA do not envisage the allocation of additional voting rights to shares or the issue of shares with multiple voting rights.

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

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

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

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

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

As of the date of this Report, the Company is not aware of any agreement among significant shareholders pursuant to article 122 of the CFA.

-h- Change of control clauses (article 123 bis, paragraph 1, letter h), CFA) and provisions concerning takeover bids (article 104, paragraph 1 ter and 104 bis, paragraph 1, CFA)

At the date of this Report, neither IMA or its subsidiaries are party to material agreements that would become effective, be changed or terminate in the event of a change of control of the contracting party, with the sole exception of the contract underlying the bond loan placed with US institutional investors ("US Private Placement") and certain financing contracts that could oblige the Company to repay the loan if there is a change in the majority shareholders.

IMA's Articles of Association do not make any exceptions to the passivity rule laid down in article 104, paragraphs 1 and 1-bis of the CFA and does not envisage application of the neutralisation rules laid down in article 104 bis, paragraphs 2 and 3, of the CFA.

-i- Authority to increase the share capital and authorisations to purchase treasury shares (article 123 bis, paragraph 1 (m), CFA)

The Shareholders' Meeting on 27 April 2016 granted a mandate to the Board of Directors, for a period of five years from the resolution, in accordance with art. 2443, paragraph 2, of the Italian Civil Code, to increase the share capital on a cash basis in one or more tranches by up to a maximum of Euro 1,950,520 at par by issuing a maximum of 3,751,000 ordinary shares of par value Euro 0.52 each, to be placed exclusively with qualified third-party investors excluding current shareholders' option rights, in accordance with article 2441, paragraph 4, second part, of the Civil Code and/or article 2441, paragraph 5, of the Civil Code.

In partial execution of the mandate granted to the Board by the Extraordinary Shareholders' Meeting of 27 April 2016, at the board meeting on 6 June 2016, the Board of Directors resolved to increase the share capital for payment, in one or more tranches, by a maximum nominal amount of Euro 910,000 corresponding to 4.67% of the IMA's existing share capital by issuing up to 1,750,000 new ordinary shares, with a par value of Euro 0.52 each, excluding shareholders' option rights pursuant to article 2441, para. 4, part 2, of the Civil Code, offered for subscription to qualified investors in Italy and institutional investors abroad, as defined in Regulation S and Rule 144A, issued pursuant to the US Securities Act of 1933 and excluding any country or jurisdiction in which offers or sales of the shares being offered are prohibited by law or in the absence of exemptions.

The Shareholders' Meeting, held on 27 April 2016, also approved the purchase of treasury shares pursuant to article 2357 of the Civil Code, under a mandate with a duration of 12 months.

The Shareholders' Meeting thus authorized the Board of Directors to purchase the Company's treasury shares up to the maximum permitted by law and within the limits of the available reserves and distributable profits as reported in the most recent approved financial statements, as well as 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.

However, the Company did not exercise its right to carry out transactions in its own shares during the period.

At the date of this report, IMA owns 5,500 treasury shares; this holding derives from purchases made under shareholders' resolutions dating back many years.

-j- Management and coordination activity (article 2497 of the Italian Civil Code)

Although it is controlled by SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A. ("SO.FI.M.A."), IMA is not subject to its management or coordination pursuant to articles 2497 et seq. of the Italian Civil Code.

In compliance with art. 37, paragraph 2, of CONSOB's Market Regulations, below we explain the reasons why we believe that IMA is not subject to management and coordination on the part of the Parent Company SO.FI.M.A.: 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.

It is worth pointing out that:

a) the information required under article 123-bis, paragraph 1, (i) ("agreements between the company and its directors [...] which provide for compensation in the event of retirement or dismissal without just cause, or if their employment contract is terminated as the result of a takeover bid") is contained in the remuneration report published in accordance with article 123 ter CFA;

b) the information required under article 123-bis, paragraph 1 (l) ("the rules applicable for the appointment or replacement of directors [...] and for amendments to the Articles of Association, if different from any additional rules of law or regulations that may be applicable") is provided in the section of the Report on Corporate Governance devoted to the Board of Directors.

CERTIFICATION UNDER ART. 2.6.2 OF THE ISSUERS' REGULATIONS

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

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

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

The Board of Directors identified the companies to which these rules apply.

The scope of application of these rules involves thirty-one companies of the Group, located in ten countries outside the EU.

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

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

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(THOUSANDS OF EUROS)

ASSETS	Note	31 December 2016	31 December 2015
NON-CURRENT ASSETS			
<i>Property, plant and equipment</i>	2	88,175	75,498
<i>Intangible assets</i>	3	332,773	321,443
<i>Investments accounted for using the equity method</i>	4	23,014	20,229
<i>Financial assets</i>	5	7,138	6,714
<i>Receivables from others</i>	6	3,234	2,482
<i>Deferred tax assets</i>	8	64,916	53,989
TOTAL NON-CURRENT ASSETS		519,250	480,355
CURRENT ASSETS			
<i>Inventories</i>	9	278,909	232,960
<i>Trade and other receivables</i>	10	359,421	288,413
<i>Income tax receivables</i>	11	7,985	7,681
<i>Financial assets</i>	5	9,567	8,683
<i>Derivative financial instruments</i>	7	218	549
<i>Cash and cash equivalents</i>	12	201,081	156,078
TOTAL CURRENT ASSETS		857,181	694,364
TOTAL ASSETS		1,376,431	1,174,719
EQUITY AND LIABILITIES			
EQUITY			
<i>Equity attributable to equity holders of the parents</i>	13	255,537	158,995
<i>Non-controlling interests</i>	14	14,647	16,784
TOTAL EQUITY		270,184	175,779
NON-CURRENT LIABILITIES			
<i>Borrowings</i>	15	221,186	229,382
<i>Employee defined benefit liabilities</i>	16	57,926	51,184
<i>Provisions for risks and charges</i>	17	5,867	6,147
<i>Other payables</i>	18	20,092	37,249
<i>Derivative financial instruments</i>	7	2,280	2,592
<i>Deferred tax liabilities</i>	8	62,135	59,526
TOTAL NON-CURRENT LIABILITIES		369,486	386,080
CURRENT LIABILITIES			
<i>Borrowings</i>	15	93,538	102,389
<i>Trade and other payables</i>	18	596,753	472,508
<i>Income tax liabilities</i>	11	14,418	11,870
<i>Provisions for risks and charges</i>	17	30,916	25,954
<i>Derivative financial instruments</i>	7	1,136	139
TOTAL CURRENT LIABILITIES		736,761	612,860
TOTAL LIABILITIES		1,106,247	998,940
TOTAL EQUITY AND LIABILITIES		1,376,431	1,174,719

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

CONSOLIDATED INCOME STATEMENT

(THOUSANDS OF EUROS)

	Note	2016	2015
REVENUES	1	1,310,846	1,109,537
OTHER REVENUES	19	22,747	19,973
OPERATING COSTS			
<i>Change in work in progress, semifinished and finished goods</i>		36,312	(3,529)
<i>Change in inventory of raw, ancillary and consumable materials</i>		2,475	(1,949)
<i>Cost of raw, ancillary and consumable materials and goods for resale</i>	20	(520,625)	(398,313)
<i>Services, rentals and leases</i>	21	(285,775)	(239,470)
<i>Personnel costs</i>	22	(371,489)	(329,452)
<i>Depreciation and amortization expense</i>	23	(39,554)	(32,519)
<i>Provisions for risks and charges</i>		(3,825)	(66)
<i>Other operating costs</i>	24	(9,771)	(8,594)
TOTAL OPERATING COSTS		(1,192,252)	(1,013,892)
<i>- of which: effect of non-recurring items</i>	33	(5,925)	(9,467)
OPERATING PROFIT	1	141,341	115,618
<i>- of which: effect of non-recurring items</i>	33	(5,925)	(9,467)
FINANCIAL INCOME AND EXPENSE			
<i>Financial income</i>	25	36,236	36,325
<i>Financial expense</i>	26	(29,950)	(37,363)
TOTAL FINANCIAL INCOME AND EXPENSE		6,286	(1,038)
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		1,526	512
PROFIT (LOSS) BEFORE TAX		149,153	115,092
TAXES	27	(47,761)	(37,256)
PROFIT FOR THE YEAR		101,392	77,836
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENTS		93,536	69,915
NON-CONTROLLING INTERESTS		7,856	7,921
		101,392	77,836
BASIC/DILUTED EARNINGS PER SHARE (in euros)	28	2.43	1.88

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(THOUSANDS OF EUROS)

	Note	2016	2015
Net profit for the year		101,392	77,836
Other comprehensive income to be reclassified to profit or loss in subsequent year:			
<i>Exchange rate gains (losses) on the translation of foreign currency financial statements</i>		(327)	5,627
<i>Gains (losses) on cash flow hedges</i>	13	(729)	2,426
<i>Tax effect</i>		165	(743)
Net other comprehensive income to be reclassified to profit or loss in subsequent year		(891)	7,310
Other comprehensive income not being reclassified to profit or loss in subsequent year:			
<i>Actuarial gains (losses) on post employment benefit obligations</i>	13	(3,096)	5,645
<i>Tax effect</i>		1,080	(1,658)
Net other comprehensive income not being reclassified to profit or loss in subsequent year		(2,016)	3,987
Gains and losses recognized in equity		(2,907)	11,297
Total comprehensive income		98,485	89,133
Attributable to:			
Equity holders of the parent		90,780	81,104
Non-controlling interests		7,705	8,029
		98,485	89,133

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(THOUSANDS OF EUROS)

	Share capital	Share premium reserve	Treasury shares	Trans- lation reserve	Fair value reserve	Other reserves and retained earnings	Profit attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Non- controlling interests	Total equity
Balances at 01.01.2015	19,151	4,818	(71)	4,248	(3,363)	26,878	51,562	103,223	13,395	116,618
Distribution of dividends	-	-	-	-	-	-	(50,631)	(50,631)	(2,917)	(53,548)
Allocation of earnings for 2014	-	-	-	-	-	931	(931)	-	-	-
Capital increases	354	27,773	-	-	-	-	-	28,127	-	28,127
Change of non-controlling interests	-	-	-	-	-	(2,828)	-	(2,828)	(1,723)	(4,551)
Total comprehensive income	-	-	-	5,488	1,670	4,031	69,915	81,104	8,029	89,133
Balances at 31.12.2015	19,505	32,591	(71)	9,736	(1,693)	29,012	69,915	158,995	16,784	175,779
Distribution of dividends	-	-	-	-	-	-	(52,506)	(52,506)	(7,537)	(60,043)
Allocation of earnings for 2015	-	-	-	-	-	17,409	(17,409)	-	-	-
Capital increases	910	90,227	-	-	-	-	-	91,137	42	91,179
Change of non-controlling interests	-	-	-	-	-	(32,869)	-	(32,869)	(2,347)	(35,216)
Total comprehensive income	-	-	-	(277)	(520)	(1,959)	93,536	90,780	7,705	98,485
Balances at 31.12.2016	20,415	122,818	(71)	9,459	(2,213)	11,593	93,536	255,537	14,647	270,184

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(THOUSANDS OF EUROS)

	Note	31 December 2016	31 December 2015
OPERATING ACTIVITIES			
Profit attributable to equity holders of the parent		93,536	69,915
Adjustments for:			
- Depreciation and amortization	23	37,815	32,437
- Capital (gains) losses on disposal of non-current assets	19-24	(476)	(101)
- Capital (gains) losses on disposal of investments	25	-	(16,055)
- Proceed from exercise of option on non-controlling interests	25	(18,699)	-
- Changes in provisions for risks and charges and employee defined benefit liabilities		1,924	(803)
- Unrealized losses (gains) on exchange rate differences	26	248	1,769
- Other changes		(751)	(278)
- Change in value of financial assets	26	-	1,205
- Taxes	27	47,761	37,256
- Non-controlling interests		7,856	7,921
- Result from investments accounted for using the equity method		(1,526)	(512)
Operating profit before changes in working capital		167,688	132,754
(Increase) decrease in trade and other receivables	10	(51,000)	(60,070)
(Increase) decrease in inventories	9	(38,968)	2,470
Increase (decrease) in trade and other payables	18	97,476	31,742
Taxes paid		(46,769)	(38,341)
CASH FLOW GENERATED (ABSORBED) BY OPERATING ACTIVITIES (A)		128,427	68,555
INVESTING ACTIVITIES			
Investments in property, plant and equipment	2	(20,293)	(19,550)
Investments in intangible assets	3	(15,506)	(15,737)
Acquisition business divisions/companies	29	(8,256)	(63,584)
Purchase of investments	4	(2,266)	(914)
Sale of subsidiaries and joint venture	10	8,000	17,500
Sale of non-current assets		935	597
Other changes		(15)	3,314
CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES (B)		(37,401)	(78,374)
FINANCING ACTIVITIES			
Granting of loans	15	50,000	95,957
Repayment of borrowings	15	(45,731)	(61,217)
Repayment of finance lease debts		(207)	(171)
Increase (decrease) in other financial payables		(30,377)	44,362
Capital increases	13	90,513	27,913
Purchase of non-controlling interests	14	(35,378)	(4,600)
Consideration for exercise of option on non-controlling interests	25	(4,000)	-
Net change in financial assets and other non-current receivables		(920)	(6,102)
Dividends paid to equity holders of the parent	13	(52,506)	(50,631)
Dividends paid to non-controlling interests	14	(7,537)	(2,917)
Payment of interest		(10,004)	(10,123)
Receipt of interest		124	162
CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES (C)		(46,023)	32,633
NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)		45,003	22,814
CASH AND CASH EQUIVALENTS AT START OF YEAR (E)	12	156,078	133,264
CASH AND CASH EQUIVALENTS AT END OF YEAR (F=D+E)	12	201,081	156,078

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2016

(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 is a world leader in the design and production of automatic machines for the processing and packaging of pharmaceuticals, cosmetics, tea and coffee, and other food products.

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 2016, IMA S.p.A. is 57% (60% at 31 December 2015) owned by SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A., which is a subsidiary of Lopam Fin S.p.A.

IMA S.p.A. has dealings mainly of a commercial nature with the Group's manufacturing companies, 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 2016 were prepared by the Board of Directors on 14 March 2017 and have been audited by EY 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 the related interpretations issued to date by the Standing Interpretations Committee and the International Financial Reporting Standard Interpretations Committee (SIC/IFRIC), as endorsed by the European Union.

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 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 statement of financial position 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 or within twelve months. Non-current assets held for sale and related liabilities, if any, are shown in the appropriate items.

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

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

already made, any accrued cash movements, the revenues or costs deriving from cash flows attributable to investment or financing activities. The Group classifies interest paid and received and dividends as cash flows from financing activities.

The figures contained in the consolidated financial statements as of 31 December 2016 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 are recognized at purchase or construction cost, including directly attributable ancillary expenses. Property, plant and equipment are depreciated each year on a straight-line basis over their estimated remaining useful life, as follows:

) Buildings and lightweight constructions	from 10 to 40 years
) Plant and machinery	from 5 to 10 years
) Industrial and commercial equipment	4 years
) Other assets	from 3 to 9 years

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

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

Leasehold improvements are amortized over the expected useful life or the term of the lease, if this is shorter.

Ordinary maintenance costs are expensed as incurred. When property, plant and equipment need to be replaced at regular intervals, the cost of the part replaced is reversed from the book value of the asset and the cost of the replacement is capitalised in its place.

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 recognized for an amount equal to the value of the leased asset;
-) the recognition of lease instalments separates the interest element from the principal, which deemed to represent repayment of the liability to the lessor.

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

INTANGIBLE ASSETS

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

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

) Industrial patents and intellectual property rights	from 3 to 15 years
) Software, licences and similar rights	from 5 to 15 years
) Trademarks	from 10 to 20 years
) Development costs	from 5 to 15 years

Assets with indefinite useful lives are not amortized but are tested for possible impairment of value 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 and other intangible assets with an indefinite useful life the impairment test is carried out at least annually.

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

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

FINANCIAL ASSETS

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

The IMA Group holds available-for-sale securities and equity investments in other companies and financial receivables. Financial assets available for sale are measured at fair value and financial receivables are measured at fair value on initial recognition and subsequently at amortised cost. At 31 December 2016, the Group did not possess financial instruments measured at fair value in the income statement 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.

The Group has opted to account for financial instruments under the 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 reporting date as estimated by independent third parties.

The fair value of foreign exchange derivatives used to hedge future cash flow is calculated in relation to their intrinsic value and their time value; the intrinsic element is recognized in the statement of comprehensive income, 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 reversed to the income statement 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 when it refers to hedging instruments of future cash flows. 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 recognized 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 ("Construction Contracts") 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 recognized 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. The valuation reflects the best estimate of the project costs at the balance sheet date. The estimates are updated periodically. Any economic effects are recognized in the period that the updates are made.

To provide better support for management's estimates, the Group has set up contract risk management and analysis tools, designed to identify, monitor and quantify the risks relating to the performance of such contract work.

Contract work is shown net of any provisions for write-downs, losses likely to be incurred to finish the contract and advance payments for contract work in progress. This analysis is carried out contract by contract and their presentation in the statement of financial position is 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 measured at fair value less any impairment loss, the due dates of which are in accordance with normal commercial terms and which accrue interest at market rates, are recorded at their fair value, which is taken to be their nominal value, less a provision for any impairment loss in order to reflect their realisable 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 from the balance sheet if substantially all of 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 and with no risks. Bank overdrafts repayable on demand are not an integral part of the management of cash and cash equivalents.

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 implicit 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 information 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 of the Group's German companies.

As a result of the reform of the supplementary pension scheme, introduced by Law 296 of 27 December 2006 (the Finance Act 2007), the Group calculates the actuarial value of severance pay accrued before 2007 without making allowance for any future wage increases. The portion accrued after 31 December 2006 is treated as a defined-contribution plan.

The net liabilities of the Group in relation to the defined-benefit plans are determined separately for each plan, estimating the present value of the future benefits earned by employees during the current and prior years, and deducting the fair value of any assets held to service the plan. Actuarial gains and losses are recognized in a specific equity reserve. The cost of each plan is determined with reference to demographic and statistical assumptions and on the basis of wage trends.

BORROWINGS

IAS 39 distinguishes between financial liabilities measured at fair value with changes recognized 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 2016 the IMA Group does not have financial liabilities at fair value with changes recognized in the income statement.

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. They are recorded using the income method.

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 and are calculated using the tax rate applying in the various countries in which the IMA Group operates.

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 off-set only when there is a legal entitlement to do so and when they relate to taxes due to the same tax authority.

Provision for taxes that might arise on transferring undistributed earnings of subsidiaries are only made if there is a real intention to transfer such earnings.

Taxes relating to prior periods include revenues and expenses recognized during the year for income tax relating to prior years.

REVENUE RECOGNITION

Revenues are recognized to the extent that the economic benefits are likely to be obtained and the amount concerned can be determined with reasonable accuracy and they are measured at the fair value of the consideration received or receivable, taking into account any discounts. Revenues relating to the sale of products are recognized when substantially all of the risks and rewards of ownership of the goods have been transferred to the purchaser. The moment of transfer of ownership is title or possession of the goods is transferred to the buyer, which generally coincides with shipment. 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 groups of assets being divested) 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 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. If the assets and liabilities held for sale meet the definition of discontinued operations, their results are reported separately in the income statement, net of tax. In this case, the comparative income statement is restated accordingly.

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 the companies 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. Unrealized exchange differences arising from the translation of monetary items at the year end spot exchange 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 net equity at the rates current at the end of the period and from the translation of the income statement at the same rates at the end of the period are recognized as a separate component of equity called the Translation reserve.

Goodwill arising on 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 balance sheet date, with an opposite entry made to the translation reserve.

The principal exchange rates, as reported by the European Central Bank and used for the translation to Euro of foreign currency amounts, are as follows:

Currency	2016		2015	
	Final exchange rate	Average exchange rate for the year	Final exchange rate	Average exchange rate for the year
US dollar	1.054	1.107	1.089	1.110
GB pound sterling	0.856	0.819	0.734	0.726
Indian rupee	71.594	74.372	72.021	71.196
Chinese yuan	7.320	7.352	7.061	6.973

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 AND ASSUMPTIONS

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

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.

The financial statements items that require a greater subjectivity on the part of the directors in preparing estimates and for which a change in the conditions underlying the assumptions used can have a significant impact on the Group's consolidated financial statements are:

-) goodwill and other intangible assets,
-) deferred tax assets,
-) inventories and contract work,
-) liabilities for employee benefits,
-) allowances for doubtful accounts,
-) provisions for risks and charges.

The parameters used when making estimates are analytically commented on in the Accounting policies in the Notes to the consolidated financial statements.

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

SEGMENT INFORMATION

Operating segments have been identified based on the internal reports used by senior management to allocate resources and evaluate the results of each business. The Group's segment information pertains to the Tea, Food & Other and Pharmaceutical sectors, aggregated by market.

IMPLEMENTATION OF ACCOUNTING STANDARDS

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED ON 1 JANUARY 2016

The accounting standards and amendments effective from 1 January 2016 are as follows:

-) amendments to IAS 19 Defined Contribution Plans: employee contributions;
-) annual improvements to IFRSs 2010-2012 Cycle;
-) amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations;
-) amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization;
-) annual improvements to IFRSs 2012-2014 Cycle;
-) amendments to IAS 1 Disclosure Initiative;
-) Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: application of the consolidation exception.

These standards and amendments relate to matters that were not applicable or not relevant to the Group at the date of this Annual Report.

**ACCOUNTING STANDARDS ISSUED
BUT NOT YET IN FORCE**

The Group is assessing the impact of the changes, amendments and interpretations to the accounting standards that have been approved but not adopted early or pending approval.

The following are the standards and interpretations that at the date of preparation of the Group's consolidated financial statements, had already been issued, but were not yet effective:

-) IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2;
-) IFRS 9 Financial Instruments;
-) IFRS 15 Revenue from Contracts with Customers;
-) IFRS 16 Leases;
-) IAS 7 Disclosure Initiative – Amendments to IAS 7;
-) IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12;
-) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint ventures.

The Group has begun to carry out an analysis of the potential impact that adoption of the new standards IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, and IFRS 16 Leases could have on the balance sheet, financial position, income statement and information contained in the Group financial statements and notes.

IFRS 15 was issued in May 2014 and introduces a new five-stage analysis model which will apply to revenue from contracts with customers. IFRS 15 provides for the recognition of revenue for an amount that reflects the consideration to which the entity believes to be entitled in exchange for the transfer of goods or services to the customer.

The new standard will replace all current requirements found in IFRS regarding the recognition of revenues and is effective for annual periods beginning on or after 1 January 2018. The Group expects to apply the new standard from the mandatory effective date.

During 2016 the Group carried out a preliminary assessment of the effects of IFRS 15, which is subject to amendments as a result of a more detailed analysis that is currently underway. The Group is also considering the clarifications issued by the IASB in April 2016 and will assess any further development. In particular, a work plan has been drawn up to quantify the impacts of the new IFRS 15 and to provide information on implementation of the standard in the financial statements prior to the date of first-time application, as suggested by the public statement issued by ESMA on 20 July 2016 entitled "*Issues for consideration in implementing IFRS 15: Revenue from Contracts with Customers*".

As part of the preliminary assessment of the accounting impact of adopting the new standards, we have identified the main revenue streams by analysing IMA SpA and the subsidiaries of the Group:

-) machines and contract work;
-) formats;
-) spare parts and other materials;
-) technical assistance.

At the date of preparing these financial statements, the working group has applied the five steps of the standard to the revenue stream "machines and contract work", the main one in percentage terms with respect to the other ones that are being analysed.

However, based on a preliminary assessment of a qualitative nature, we do not expect there to be any potentially significant impacts on the Group's assets and liabilities, results and financial position. Once we have completed this analysis, we will decide on the method of application of the new standard, retrospective or simplified.

IFRS 16 was published in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease.

IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize all leases on the balance sheet on the basis of a single model similar to the one used to account for finance leases under IAS 17. The standard will come into force for financial years beginning on or after 1 January 2019. We are not planning to apply the new standards in advance. Note that at 31 December 2016 the Group had the following commitments for a total of 147,249 thousand euros, as discussed in Note 31 Commitments:

-) future minimum lease payments for non-cancellable operating leases totalling 3,364 thousand euros which mainly relate to cars, with 1,654 thousand euros falling due within one year and 1,710 thousand euros between 1 and 5 years;
-) commitments to rent property for 143,885 thousand euros relating to industrial plants, warehouses and offices with 18,592 thousand euros falling due within one year, 62,494 thousand euros between 1 and 5 years and 62,799 thousand euros over 5 years.

Fees paid during the year for operating lease contracts and rentals were 1,005 thousand euros and 19,542 thousand euros respectively.

IFRS 9 was issued in its final version in July 2015 and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the project on accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. With the exception of hedge accounting, retrospective application of the standard is required, but it is not obligatory to provide comparative information. As regards hedge accounting, the standard generally applies prospectively, with some limited exceptions. The Group has begun to carry out an analysis of the potential impact that adoption of the new standard could have on the balance sheet, financial position, income statement and information contained in the financial statements and notes. We are not planning to apply the standards in advance.

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 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 in commodity prices.

CREDIT RISK

The Credit Management unit is responsible for the operational management of these risks. It is centralized with the Administration, Finance and Control department and operates based on 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.

Writedowns are made by percentage of past due positions, based on times series of insolvency, except for any writedowns of specific receivables. With respect to a breakdown of trade receivables by due date, reference should be made to Note 10.

Financing activities are primarily directed towards Group companies and thus are not considered to be at risk. It should be noted that at 31 December 2016 the Group was not party to any sovereign debt positions with redemption risks.

Sureties and other non-bank guarantees are given mainly 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 2016 is represented by the carrying amount of the financial assets stated in the financial statements, and by the nominal value of the guarantees given as described in Note 30.

LIQUIDITY RISK

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

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

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

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

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

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

The following tables shows the composition and maturity of financial and trade payables and commitments:

in thousands of euros	Within 1 year	From 1 to 5 years	Over 5 years	Total
31.12.2016				
Borrowings	93,538	210,758	10,428	314,724
Commitments	32,305	64,536	62,799	159,640
Trade Payables	327,801	414	–	328,215
Total	453,644	275,708	73,227	802,579
31.12.2015				
Borrowings	102,389	173,144	56,238	331,771
Commitments	32,944	62,005	71,398	166,347
Trade Payables	250,860	–	–	250,860
Total	386,193	235,149	127,636	748,978

Further information on the composition of the above items is presented in Notes 15, 18 and 31.

At 31 December 2016 the Group had about 374 million euros available in unused lines of credit (298 million euros at 31 December 2015) and cash and cash equivalents of 201 million euros (156 million euros at 31 December 2015). As to the balancing of working capital, especially the coverage of payables to suppliers, net trade receivables came to 309 million euros at 31 December 2016 (248 million euros at 31 December 2015).

MARKET RISK

Exchange rate risk

The current business activities of companies of the Group whose functional currency is the euro, which 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 70% 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 offset 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 risk:

in thousands of euros	Carrying value	Of which subject to ERR	Exchange rate risk (ERR)			
			Increase effect		Decrease effect	
			Profits (Losses)	Other changes in FVR	Profits (Losses)	Other changes in FVR
Financial assets:						
Cash and cash equivalents	201,081	37,568	(756)	–	789	–
Trade and other receivables	359,421	82,040	(1,611)	–	1,251	–
Available for sale and financial receivables	16,705	–	–	–	–	–
Derivative financial instruments	218	191	–	272	–	(107)
Tax effect			651	(75)	(561)	29
			(1,716)	197	1,479	(78)
Financial liabilities:						
Borrowings	196,378	29,249	573	7	(596)	(7)
Bond	118,346	47,434	–	–	–	–
Trade and other payables	616,845	106,366	2,093	–	(2,180)	–
Derivative financial instruments	3,416	808	–	331	–	(514)
Tax effect			(733)	(93)	763	143
			1,933	245	(2,013)	(378)
Total increases (decreases) for 2016 (*)			217	442	(534)	(456)
Total increases (decreases) for 2015 (**)			(376)	(261)	404	47

(*) 2016 variability parameters: +/-2% €/S, +/-2% €/E and +/-2% €/CNY

(**) 2015 variability parameters: +/-2% €/S, +/-1.85% €/E, +/-0.5% €/CHF and +/-1.5% €/CNY

Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 15 and 18.

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 2016 and 31 December 2015:

in thousands of euros	Net trade receivables	Advances, taxes and other receivables	Trade payables	Advances received	Tax, employee and other payables
Euro	216,287	32,649	297,974	130,920	93,082
US dollar	55,876	2,611	10,289	33,158	5,948
Swiss franc	19,348	1,434	5,458	1,353	10,676
Indian rupee	3,575	2,309	3,698	1,259	1,858
GB Pound sterling	3,336	678	959	2,152	1,782
Thai baht	1,111	3,073	270	608	331
Polish zloty	1,510	64	572	251	676
Chinese yuan	5,762	1,038	6,685	511	2,197
Japanese yen	462	21	407	255	133
Brazilian real	632	194	854	23	513
Russian ruble	304	245	7	171	295
Other	709	205	1,042	9	469
Total at 31 December 2016	308,912	44,521	328,215	170,670	117,960
Euro	192,207	27,260	228,353	102,880	105,392
US dollar	38,964	3,112	7,759	29,577	4,850
Indian rupee	3,931	2,666	3,845	1,044	1,840
GB Pound sterling	2,686	49	1,444	1,673	1,546
Thai baht	1,701	2,499	410	1,367	348
Polish zloty	1,625	32	1,192	534	1,057
Chinese yuan	4,828	647	4,648	271	2,516
Japanese yen	483	32	809	327	136
Brazilian real	511	125	474	547	404
Russian ruble	479	307	7	268	201
Swiss franc	81	286	1,859	361	1,652
Other	484	9	60	9	97
Total at 31 December 2015	247,980	37,024	250,860	138,858	120,039

Note that, at 31 December 2016, financial receivables and financial assets available for sale are mainly denominated in Euro.

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:

in thousands of euros	Carrying value	Of which subject to IRR	Interest rate risk (IRR)			
			+ 50 bp on € IRR		- 50 bp on € IRR	
			Profits (Losses)	Other changes in FVR	Profits (Losses)	Other changes in FVR
Financial assets:						
Cash and cash equivalents	201,081	64,031 (**)	245	-	(26)	-
Trade and other receivables	359,421	-	-	-	-	-
Available for sale and financial receivables	16,705	2,844	-	-	-	-
Derivative financial instruments	218	-	-	-	-	-
Tax effect			(67)	-	7	-
			178	-	(19)	-
Financial liabilities:						
Borrowings	196,378	171,636 (**)	(806)	33	806	-
Bond	118,346	-	-	-	-	-
Trade and other payables	616,845	-	-	-	-	-
Derivative financial instruments	3,416	3,089	-	(126)	-	(784)
Tax effect			221	26	(221)	216
			(585)	(67)	585	(568)
Total increases (decreases) for 2016			(407)	(67)	566	(568)
Total increases (decreases) for 2015 (*)			(179)	305	241	(242)

(*) 2015 variability parameters +/- 20 bp €/S

(**) Annual average.

Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 15 and 18.

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

At 31 December 2016 the Group is not 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.

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 and its equity:

in thousands of euros	2016	2015
Net debt (A)	99,940	163,124
Equity (B)	270,184	175,779
Total capital (A)+(B)=(C)	370,124	338,903
Gearing ratio (A)/(C)	27%	48%

In relation with the change in net debt, please read Note 15.

FAIR VALUE

IFRS 13 lays down the following fair value hierarchy when measuring the financial instruments shown in the balance sheet:

-)] Level 1: quoted prices in active markets;
-)] Level 2: inputs other than the quoted prices of Level 1 that are observable in 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 2016 and 31 December 2015 by fair value hierarchy level:

in thousands of euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets available for sale	-	14	6,512	6,526
Derivative financial instruments	-	218	-	218
Total assets at 31 December 2016	-	232	6,512	6,744
Liabilities:				
Payables for acquisitions	-	-	18,998	18,998
Derivative financial instruments	-	3,416	-	3,416
Total liabilities at 31 December 2016	-	3,416	18,998	22,414

in thousands of euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets available for sale	-	14	4,471	4,485
Derivative financial instruments	-	549	-	549
Total assets at 31 December 2015	-	563	4,471	5,034
Liabilities:				
Payables for acquisitions	-	-	32,314	32,314
Derivative financial instruments	-	2,731	-	2,731
Total liabilities at 31 December 2015	-	2,731	32,314	35,045

Investments in other companies and investments in securities held as financial assets available for sale are measured at fair value and the related unrealized gains and losses are recognized as part of other comprehensive income, except as discussed in Note 5 in relation to InterMedia Holding S.p.A.

During 2016, there were no transfers between the three levels of the fair value hierarchy laid down in IFRS 13. There have not been any significant changes in the commercial or economic circumstances which affect the fair value of financial assets and liabilities.

The following table shows the changes in level 3:

in thousands of euros	Assets	Liabilities
Balance at 01.01.2015	5,918	498
Profits / (losses) recognized in the income statement	(1,205)	69
Acquisition of Dairy&Food and Teknoweb business	-	31,747
Increases / (decreases)	(242)	-
Balance at 31.12.2015	4,471	32,314
Profits / (losses) recognized in the income statement	-	69
Acquisition of Medtech business	-	7,449
Acquisition of Telerobot S.p.A.	45	2,625
Early exercise of the option purchase of 20% of Dairy&Food business	-	(22,959)
Increases / (decreases)	1,996	(500)
Balance at 31.12.2016	6,512	18,998

Comparing the carrying amount of financial instruments held by the Group and their fair value did not give rise to any significant differences in value.

Information about the methods used to calculate fair value is provided in Note 5 on financial assets, in Note 15 on borrowings and Note 29 on payables for acquisitions, essentially represented by options for the purchase of the residual quotas of the Medtech and Teknoweb businesses and of the company Telerobot S.p.A.

E) CONSOLIDATION PRINCIPLES

Subsidiaries

Companies are subsidiaries when the Group is exposed or has the right to variable returns deriving from its relationship with the investee and, at the same time, is able to influence such returns by exercising its power over that entity. The general presumption is that the ability to exercise the majority of voting rights represents control. In support of this presumption and when the Group holds less than the majority of voting (or similar) rights, the Group considers all

significant facts and circumstances in order to determine if it controls the investee, including contractual agreements with other holders of voting rights, rights deriving from contractual agreements and potential voting rights.

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:

-) the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair value of assets transferred and liabilities assumed by the Group at the date of acquisition and equity instruments issued in exchange for control of the acquiree. The charges relating to the transaction are recognized in the income statement when they are incurred;
-) 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.

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

If a subsidiary is not wholly owned, the minority interest in equity is determined with reference to its portion of the fair value of assets and liability at the time control was acquired, excluding any attributable goodwill (partial goodwill method). Alternatively, the entire amount of the goodwill generated by the acquisition is recognized, taking account of the portion attributable to the minority interest (full goodwill method); in this last case, the minority interest is stated at its total fair value, including the goodwill attributable to it. The choice of method for determining the amount of goodwill (partial goodwill method or full goodwill method) is decided on a case-by-case basis for each business combination.

Payables, receivables, costs and revenues between the companies included in the scope of consolidation, as well as the effects of all material transactions between them, have been eliminated on consolidation.

Specifically, unrealized gains with third parties deriving from transactions between Group companies have been eliminated, including those from the valuation of inventories at the reporting date.

Associated companies

An associate is a company over which the Group exercises significant influence. Significant influence means the power to participate in the determination of financial and operating policies, without exercising control or joint 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 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 venture

A joint venture is a joint arrangement whereby the parties that exercise joint control have rights to the net assets of the arrangement. Joint control arises under a contractual agreement to share control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of all the parties sharing control.

Investments in joint ventures are recognized using the equity method.

F) SCOPE OF CONSOLIDATION

The consolidated financial statements at 31 December 2016 include the financial and operating information of I.M.A. Industria Macchine Automatiche S.p.A. (Parent Company) and of all the companies over which it exercises direct or indirect control.

The following are the main events that took place in 2016:

-) from 1 January 2016 the acquisition by Revisioni Industriali S.r.l. of the TEAMAC business came into effect. This is a company dedicated to the design, manufacture and marketing of automatic systems and machines for the packaging of tea products for a consideration of 3,000 thousand euros. See Note 29 for further information;
-) the partial and proportional spin-off of GIMA S.p.A. by assigning to the beneficiary company GIMA Holding S.r.l. the entire investment, consisting of 191,000 shares with a total par value of 95,500 euros of GIMA TT S.p.A., as well as the absorption of its parent company (by means of a so-called "reverse merger") of GIMA Holding S.r.l. by GIMA TT S.p.A. As a result of these transactions, from 1 January 2016 GIMA Holding S.r.l. (as merged) has been fully eliminated, as has IMA S.p.A.'s interest in GIMA TT S.p.A, formerly owned by GIMA S.p.A, as discussed in note 14. This transaction did not have any impact on the consolidated financial statements;
-) on 3 March 2016, IMA S.p.A. acquired a further 6.189% interest in GIMA TT S.p.A. for 12,378 thousand euros and now owns 70% of that company, as explained in note 14.
-) on 15 April 2016 IMA, through its subsidiaries GIMA S.p.A. and Packaging Systems Holdings Inc., completed the acquisition from Komax Holding AG of the entire share capital of Komax Systems LCF SA and Komax Systems Rockford Inc., together with 76% of Komax Systems Malaysia Sdn. Bhd. The agreement also provides for an option to buy the other 24% of Komax Systems Malaysia, which can be exercised in 2018. The three companies are leaders in the design, production and commercialisation of machines for assembling medical products for self-medication (Medtech business). The acquisition cost includes the amount paid (10.3 million euros) and a potential amount of 8 million Swiss francs. See Note 29 for further information;
-) on 18 April 2016, IMA S.p.A. acquired from related parties a further 25% interest in GIMA S.p.A. for 21,698 thousand euros. Subsequently, on 12 December 2016 IMA SpA acquired the residual 1.5% from related parties for a consideration of 1,302 thousand euros, bringing the total ownership percentage to 100% as discussed in Note 14;
-) on 28 April 2016, the Parent Company signed an agreement with Lin Vermoögensverwaltung GmbH for the purchase of the remaining 20% interest in the Dairy&Food Group, following the early exercise of the put&call option, which was originally exercisable from April 2017. The price paid was 4,000 thousand euros. The

transaction generated financial income of 18,699 thousand euros as discussed in Note 25. The purchase of the entire equity interest will enable the Group to pursue the integration path even further, with a view to releasing all the organisational and commercial synergies;

-) on 20 May 2016 GIMA S.p.A. completed the acquisition from the Xenon fund of 75% of Telerobot S.p.A., with operations based in Alessandria, which is market leader in machines for assembling plastics in the field of caps and closures. The transaction involved an investment outlay of 2,250 thousand euros which gave GIMA 75% of the company's shares and an option to buy the other 25% to be exercised by the date of approval of the financial statements at 31 December 2017. See Note 29 for further information;
-) The incorporation of the trading company IMA Fuda (Shanghai) Packaging Machinery Co. Ltd. was completed in July 2016. This company is based in Shanghai and is held 80% by the Parent Company and has a share capital of 6 million Chinese Yuan;
-) in December 2016 GIMA SpA acquired 49% of Petroncini Impianti SpA, with headquarters in Sant'Agostino (FE), a leading company in machinery for the coffee production process, for a price of 2,000 thousand euros, as discussed in Note 4.

Moreover, on 22 December 2016 IMA, through its subsidiary GIMA SpA, signed an agreement to buy 80% of Mapster Srl, based in Parma, a major player in the design, manufacture and marketing of machines for the automatic filling and packaging of capsules for the coffee industry. The Mapster deal involves a financial contribution due at the time of the closing (expected to take place in early 2017) of 2.4 million euros for its equity value.

The list of companies included in the consolidation is supplied in paragraph H of the Notes, with an indication of the consolidation method used.

G) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The changes reported below have been calculated on figures at 31 December 2015 for balance sheet items and on figures for the year 2015 for income statement items.

1. SEGMENT INFORMATION

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

The Group's activities comprise the following operating segments:

Tea, Food & Other

It produces machines for the packaging of tea and herbal teas in filter bags and the packaging of coffee in pods for the food & beverage sector, for the personal care sector, for end-of-line equipment, for the cheese sector and for stock cubes and for the tobacco sector, and for primary packaging in the food sector with the use of flexible material (horizontal and vertical flow packs) for assembling medical products plus related services.

Operations in this sector are mainly carried out by the following companies:

- J IMA S.p.A. manufactures:
 - machines for the packaging of tea and herbs in filter bags and the packaging of coffee in pods, through the Tea & Herbs Division;
 - end-of-line machines through the BFB Division;
- J Corazza S.p.A. produces machines and plant for the dosing and packaging of cheese portions and stock cubes;
- J Hassia Verpackungsmaschinen GmbH, GASTI Verpackungsmaschinen GmbH, Benhill GmbH, Hassia Packaging Pvt. Ltd., Hamba Filltec GmbH & Co. KG, Erca S.A. and Erca-Formseal Ibérica S.A. produce machines for forming, filling and sealing, for containers and sticks, for ultraclean closure and wrappers for the dairy sector;
- J GIMA S.p.A. produces machines for the food & beverage and personal care sectors;
- J GIMA TT S.p.A. produces automatic machines for the packaging in the tobacco sector;
- J Ilapak International SA, Ilapak Italia S.p.A., Ilapak (Beijing) Packaging Machinery and Delta Systems & Automation Inc. produce automated machines and lines for flexible food and non-food packaging, using horizontal and vertical packaging technologies;
- J IMA Medtech Switzerland SA, IMA Automation USA Inc. and IMA Automation Malaysia Sdn. Bhd. manufacture machines for assembling medical products for self-medication, such as inhalers, insulin syringes and injection systems;
- J Revisioni Industriali S.r.l. refurbishes second-hand machines for processed cheese and tea and herbs in filter bags;
- J Teknoweb Converting S.r.l. produces machines for the production of wet wipes (converting sector);
- J Telerobot SpA manufactures machinery for the assembly of plastic materials in the caps and closures sector.

Pharmaceutical

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, tube-filling and cartoning, systems for the production of tablets and capsules and for coating and granulation, as well as related services.

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

- J IMA S.p.A. manufactures:
 - blister-pack machines, machines for the packaging of gelcaps, capsules and tablets and cartoning machines through IMA Safe division;
 - machines for the filling of flacons and vials with liquid products and powders under sterile and non-sterile conditions and freeze-drying systems through IMA Life division;
 - tablet pressing machines, capsule filling machines, coating and granulating machines, machines for the movement of powders and depowdering of tablets through the IMA Active division;
- J CO.MA.DI.S. S.p.A. manufactures tube-filling machines for the pharmaceuticals, cosmetics, chemicals and food industries;
- J G.S. Coating Technologies S.r.l. manufactures coating machines;
- J IMA Life The Netherlands B.V., IMA Life North America Inc. and IMA Life (Beijing) Pharmaceutical Systems Co. Ltd. manufacture freeze-drying plants for the pharmaceutical industry;

-) Pharmasiena Service S.r.l. produces filling systems for phials and syringes under sterile conditions;
-) IMA-PG India Pvt Ltd. operates in the production of blister and cartoning machines, mainly for the emerging nations;
-) Shanghai Tianyan Pharmaceutical Machinery Co. Ltd. produces filling systems under sterile conditions;
-) Swiftpack Automation Ltd. and IMA North America Inc. manufacture machines for the bottling of capsules and tablets for the pharmaceutical industry.

ANALYSIS BY BUSINESS SEGMENT

Information by business segment for 2016 and 2015 is shown below:

in thousands of euros	2016			Total
	Tea, Food & Other	Pharmaceutical	Not allocated (*)	
Revenues	757,418	553,428	–	1,310,846
Segment operating profit	67,668	73,673	–	141,341
Net financial income (expense) (**)				6,286
Profit (loss) from investments accounted for using the equity method		1,576	(50)	1,526
Profit before tax				149,153
Taxes				(47,761)
Net profit for the year				101,392

in thousands of euros	2015			Total
	Tea, Food & Other	Pharmaceutical	Not allocated (*)	
Revenues	590,457	519,080	–	1,109,537
Segment operating profit	51,207	64,411	–	115,618
Net financial income (expense) (**)				(1,038)
Profit (loss) from investments accounted for using the equity method	(259)	834	(63)	512
Profit before tax				115,092
Taxes				(37,256)
Net profit for the year				77,836

(*) Unallocated amount relate to investments not directly attributable to the operating sectors.

(**) 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 2015:

in thousands of euros	2016	2015	Change
Tea, Food & Other	757,418	590,457	166,961
Pharmaceutical	553,428	519,080	34,348
Total	1,310,846	1,109,537	201,309

Consolidated revenues in 2016 amounted to 1,310,846 thousand euros, an overall increase of 18.1%, of which 12.0% due to the organic growth, with respect to the previous year.

Revenues by segment are discussed below:

-) the Tea, Food & Other sector recorded a 28.3% increase in revenues over the previous year, thanks to the contribution of the Medtech and Telerobot businesses (68,075 thousand euros) and Corazza SpA, Dairy&Food and GIMA TT SpA, generally confirming the strong leadership position held by the Group in these niche markets;
-) the Pharmaceutical sector shows an increase in revenues of 6.6%.

No one third-party customer represents 10% or more of consolidated revenues.

The following table shows operating profit by segment:

in thousands of euros	2016	2015	Change
Tea, Food & Other	67,668	51,207	16,461
Pharmaceutical	73,673	64,411	9,262
Total	141,341	115,618	25,723

The operating profit of the Tea, Food & Other sector is 67,668 thousand euros (8.9% of revenues) against 51,207 thousand euros in 2015 (8.7% of revenues). The Pharmaceutical sector has seen a sharp increase in operating profit over the previous year as a result of higher volumes, higher profitability of contracts due to an improved sales margins of certain products that have achieved the expected levels of profitability. The tables below provide other income statement information regarding Group operations by sector for 2016 and 2015:

in thousands of euros	2016		
	Tea, Food & Other	Pharmaceutical	Total
Amortization, depreciation, impairment and writedowns	27,670	10,145	37,815
Other non-monetary costs (revenues)	5,273	6,986	12,259

in thousands of euros	2015		
	Tea, Food & Other	Pharmaceutical	Total
Amortization, depreciation, impairment and writedowns	22,974	9,463	32,437
Other non-monetary costs (revenues)	1,643	4,189	5,832

The increase in depreciation, amortization, impairment losses and write-downs of the Tea, Food & Other sector primarily reflects the consolidation of the newly acquired Medtech business and of the Dairy&Food business for the full year compared with the 10 months of 2015.

Capital expenditure by operating segment are as follows:

in thousands of euros	2016	2015
Tea, Food & Other	43,558	160,566
Pharmaceutical	13,709	17,432
Total	57,267	177,998

As regards the allocation of the goodwill recognized in 2016 in connection with the Medtech business, Telerobot SpA and the Teamac business unit for 17,243 thousand euros, attributable to the Tea, Food & Other sector, see Note 3.

The higher level of investment in 2015 in the Tea, Food & Other sector substantially reflected the acquisition of the Dairy&Food business, which resulted in the recognition of intangible assets for a total of 129,520 thousand euros.

Balance sheet information at 31 December 2016 is shown below:

in thousands of euros	31 December 2016			Total
	Tea, Food & Other	Pharmaceutical	Unallocated (*)	
Segment operating assets	673,356	389,374	–	1,062,730
Investments accounted for using the equity method	2,022	11,887	9,105	23,014
Financial assets	–	1,500	15,205	16,705
Deferred tax assets				64,916
Income tax receivables				7,985
Cash and cash equivalents				201,081
Total assets				1,376,431

in thousands of euros	31 December 2016			Total
	Tea, Food & Other	Pharmaceutical	Unallocated (*)	
Segment operating liabilities	414,441	299,414	–	713,855
Borrowings				314,724
Deferred tax liabilities				62,135
Income tax liabilities and other provisions for risks				15,533
Total liabilities				1,106,247

Balance sheet information at 31 December 2015 is shown below:

in thousands of euros	31 December 2015			Total
	Tea, Food & Other	Pharma- ceutical	Unallocated (*)	
Segment operating assets	556,967	364,378	–	921,345
Investments accounted for using the equity method	–	10,599	9,630	20,229
Financial assets	–	1,502	13,895	15,397
Deferred tax assets				53,989
Income tax receivables				7,681
Cash and cash equivalents				156,078
Total assets				1,174,719

in thousands of euros	31 December 2015			Total
	Tea, Food & Other	Pharma- ceutical	Unallocated (*)	
Segment operating liabilities	325,509	269,312	–	594,821
Borrowings				331,771
Deferred tax liabilities				59,526
Income tax liabilities and other provisions for risks				12,822
Total liabilities				998,940

ANALYSIS BY GEOGRAPHICAL AREA

The revenues of the IMA Group are analyzed below by geographical area:

in thousands of euros	2016	2015	Change
European Union (excluding Italy)	395,450	352,711	42,739
Other European countries	97,328	68,885	28,443
North America	218,690	223,420	(4,730)
Asia & Middle East	294,646	227,771	66,875
Other countries	128,633	118,263	10,370
Total exports	1,134,747	991,050	143,697
Italy	176,099	118,487	57,612
Total	1,310,846	1,109,537	201,309

Revenues are allocated according to the geographical area of the invoiced customer.

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

-) revenues from EU countries excluding Italy are rising in France, Scandinavia and Ireland;
-) sales in other European countries are increasing compared with the previous year, especially in Russia;
-) North America is more or less stable, in a context essentially without any significant local competitors;
-) Asia & Middle East grew by 29.4% overall, confirming the importance of this market that always generates more than 20% of the Group's sales, confirming past trends. The progress in local economies is generating an improvement in production standards closer to those of the West and as a consequence a demand for machinery more in line with what we can offer. In particular, there has been growth in India, UAE, China and Japan;
-) revenues from other countries reflect a variety of trends with growth in Brazil, Mexico and Australia, and a decline in North Africa;
-) the increase of over 48% in Italy was due to a larger number of projects compared with the previous year. These fluctuations recur annually since revenues depend on the level of investment projects of the pharmaceutical companies, which is inevitably unstable 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:

in thousands of euros	31.12.2016	31.12.2015
Italy	194,946	181,699
European Union (excluding Italy)	147,694	156,577
Other European countries	44,847	35,830
North America	35,604	23,223
Asia & Middle East	26,685	24,728
Other countries	422	423
Total	450,198	422,480

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

REVENUES BY BUSINESS CATEGORY

Lastly, the IMA Group's revenues are analyzed as follows by business category:

in thousands of euros	2016	2015	Change
Machines and change parts	407,439	412,505	(5,066)
Construction contracts	583,751	409,486	174,265
Spare parts and other materials	202,921	182,291	20,630
Technical assistance	97,276	84,744	12,532
Other services	19,459	20,511	(1,052)
Total	1,310,846	1,109,537	201,309

2. PROPERTY, PLANT AND EQUIPMENT

The changes during the year were as follows:

in thousands of euros	Buildings and leasehold improv.		Plant and machinery	Industrial & comm. equipment		Other assets	Assets under construction and advances	Total
	Land							
Balances at 01.01.15								
Gross amount	7,269	37,746	40,696	21,210	26,788	1,699	135,408	
Accumulated depreciation and writedowns	(17)	(11,668)	(30,588)	(18,244)	(21,347)	–	(81,864)	
Net amount	7,252	26,078	10,108	2,966	5,441	1,699	53,544	
Balances at 01.01.15	7,252	26,078	10,108	2,966	5,441	1,699	53,544	
Increases	1,156	7,838	4,117	1,308	2,932	2,199	19,550	
Sales and disposals	–	(7)	(235)	(21)	(130)	–	(393)	
Change in scope of consolidation	2,160	4,455	637	1,803	1,639	544	11,238	
Depreciation	–	(3,309)	(2,613)	(1,430)	(2,396)	–	(9,748)	
Reclassifications and other differences	387	379	1,391	145	36	(1,826)	512	
Exchange rate difference	136	423	143	15	59	19	795	
Balances at 31.12.15	11,091	35,857	13,548	4,786	7,581	2,635	75,498	
Balances at 01.01.16								
Gross amount	11,109	60,551	52,902	29,287	37,507	2,635	193,991	
Accumulated depreciation and writedowns	(18)	(24,694)	(39,354)	(24,501)	(29,926)	–	(118,493)	
Net amount	11,091	35,857	13,548	4,786	7,581	2,635	75,498	
Balances at 01.01.16	11,091	35,857	13,548	4,786	7,581	2,635	75,498	
Increases	548	4,650	2,069	2,171	3,591	7,264	20,293	
Sales and disposals	–	(2)	(220)	(25)	(101)	–	(348)	
Change in scope of consolidation	–	2,114	592	35	541	232	3,514	
Depreciation	–	(4,146)	(3,132)	(1,828)	(2,581)	–	(11,687)	
Reclassifications and other differences	1,468	(5)	1,271	289	1	(2,435)	589	
Exchange rate difference	(41)	61	–	27	84	185	316	
Balances at 31.12.16	13,066	38,529	14,128	5,455	9,116	7,881	88,175	
Gross amount	13,086	68,760	56,920	31,902	41,661	7,881	220,210	
Accumulated depreciation and writedowns	(20)	(30,231)	(42,792)	(26,447)	(32,545)	–	(132,035)	
Balances at 31.12.16	13,066	38,529	14,128	5,455	9,116	7,881	88,175	

Land and buildings refer to the following Group companies:

in thousands of euros	Land		Buildings	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
IMA S.p.A.	1,674	1,393	1,638	1,444
Delta Systems & Automation Inc.	1,312	1,270	–	–
Erca S.A.	2,000	2,000	2,108	2,283
GIMA S.p.A.	573	573	1,114	1,139
Hassia Packaging Pvt. Ltd.	48	48	720	739
Hassia Verpackungsmaschinen GmbH	111	111	889	975
Ilapak Inc.	180	175	1,163	1,204
Ilapak Italia S.p.A.	450	450	1,808	1,886
Ilapak Ltd.	800	933	339	410
Ilapak Sp. Z o.o.	434	449	908	968
Ilapak Verpackungsmaschinen GmbH	115	115	527	548
IMA France Eurl	183	183	412	430
IMA-PG India Pvt. Ltd.	2,209	664	1,545	1,602
Società del Sole S.r.l.	2,977	2,727	–	–
Other	–	–	16	20
Total	13,066	11,091	13,187	13,648

Leasehold improvements totalled 25,342 thousand euros (22,209 thousand euros at 31 December 2015).

The increases in Buildings and leasehold improvements mainly relate to the costs incurred, 3,228 thousand euros (7,034 thousand euro in 2015), to expand and improve buildings leased by the Parent Company.

Other increases relate mainly to the capitalisation of machinery, electronic machines and costs in connection with the construction of a production site in Arkansas (USA) by Delta Systems & Automation Inc.

The change in the scope of consolidation reflects the acquisition of the Medtech business and of Telerobot S.p.A., as discussed in Note 29.

“Other assets” comprise:

in thousands of euros	31.12.2016	31.12.2015
Electronic office machines	3,708	2,606
Office furniture and fittings	3,038	3,095
Vehicles	1,715	1,252
Other	655	628
Total	9,116	7,581

Construction in progress and advances mainly include the production site in Arkansas (USA).

The net book value of assets under finance lease is broken down by category as follows:

in thousands of euros	31.12.2016	31.12.2015
Land	317	328
Buildings	918	979
Industrial and commercial equipments	19	29
Other	461	244
Total	1,715	1,580

At 31 December 2016 leased assets essentially relate to the contract for the factory in Krakow (Poland) used by Ilapak Sp. Z o.o.; this contract was signed with BZ WBK Finanse & Leasing S.A. in 2009 and expires in February 2019. See Note 15 for information on future minimum payments.

Financial expenses directly attributable to property, plant and equipment are generally recognized in the income statement because the Group does not have any assets that normally take a substantial period of time to make ready for use.

There are no restrictions on ownership or tangible assets pledged as security for liabilities. There are no internal or external elements to suggest that assets have suffered an impairment in value.

3. INTANGIBLE ASSETS

The changes during the year break down as follows:

in thousands of euros	Development costs	Industrial patent rights	Software licences, trademarks and similar	Goodwill	Assets under dev. and advances	Total
Balances at 01.01.15						
Gross amount	106,759	19,865	63,066	96,432	8,250	294,372
Accumulated amortization and writedowns	(61,954)	(14,723)	(38,802)	-	-	(115,479)
Net amount	44,805	5,142	24,264	96,432	8,250	178,893
Balances at 01.01.15	44,805	5,142	24,264	96,432	8,250	178,893
Increases	5,763	1,097	2,781	-	6,096	15,737
Sales and eliminations	(64)	(25)	(14)	-	-	(103)
Changes in scope of consolidation	4,012	46	1,261	-	366	5,685
Acquisition of Dairy&Food	55,145	-	49,358	25,017	-	129,520
Acquisition of Teknoweb	-	-	-	13,191	-	13,191
Amortization	(13,327)	(1,576)	(7,786)	-	-	(22,689)
Reclassifications and other changes	3,957	6	56	90	(3,878)	231
Exchange rate difference	21	16	66	875	-	978
Balances at 31.12.15	100,312	4,706	69,986	135,605	10,834	321,443
Balances at 01.01.16						
Gross amount	178,112	21,676	125,773	135,605	10,834	472,000
Accumulated amortization and writedowns	(77,800)	(16,970)	(55,787)	-	-	(150,557)
Net amount	100,312	4,706	69,986	135,605	10,834	321,443
Balances at 01.01.16	100,312	4,706	69,986	135,605	10,834	321,443
Increases	5,041	2,326	3,083	-	5,056	15,506
Sales and eliminations	-	(108)	(3)	-	-	(111)
Changes in scope of consolidation	376	178	377	-	-	931
Acquisition of business divisions/companies	4,225	-	-	17,243	-	21,468
Amortization	(16,535)	(1,513)	(8,080)	-	-	(26,128)
Reclassifications and other changes	7,144	-	-	(300)	(7,144)	(300)
Exchange rate difference	(1)	4	9	(46)	(2)	(36)
Balances at 31.12.16	100,562	5,593	65,372	152,502	8,744	332,773
Gross amount	196,064	23,987	130,431	152,502	8,744	511,728
Accumulated amortization and writedowns	(95,502)	(18,394)	(65,059)	-	-	(178,955)
Balances at 31.12.16	100,562	5,593	65,372	152,502	8,744	332,773

Development costs include the costs incurred for unpatented technology, the useful life of which has been estimated to be between 5 and 10 years and is attributable to the following acquisitions:

-) the Medtech business, acquired in 2016, 3,591 thousand euros; see Note 29 for further information;
-) the Dairy&Food business acquired in 2015, 45,035 thousand euros;
-) DOSA S.r.l. and G.S. Coating Technologies S.r.l. businesses, purchased in 2014, for 525 thousand euros and 1,750 thousand euros respectively;
-) Ilapak Group, which took place in 2013, for 11,050 thousand euros;
-) Dairy&Convenience Food business of the Corazza Group, occurred in 2011, for 7,268 thousand euros.

In addition, this caption includes costs of 13,763 thousand euros incurred by the Parent Company on projects related to the Pharmaceutical sector and of 2,811 thousand euros on the development for the Tea sector.

As also mentioned in the report on operations, research and development costs that do not meet the requirements for capitalization were charged to profit and loss for an amount of 48,147 thousand euros (40,053 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, as well as for the purchase of patents for 920 thousand euros relating to machines for the production of filter bags with infusion products.

Software, licences, trademarks and other rights primarily include operating and technical software applications and intangible assets linked to the "customer list" of 26,004 thousand euros, 7,030 thousand euros and 6,406 thousand euros respectively. They arose on the acquisition of the Dairy&Food business, the Ilapak Group and the Corazza Group. This caption also includes trademarks totalling 17,924 thousand euros that relate to the Dairy&Food business. The increases during the year principally related to acquisition by the Parent Company of software and licenses relating to the commercial, marketing, technical and logistics areas.

Assets under development and advances mainly relate to the capitalization of development costs incurred by the Parent Company (4,384 thousand euros), Ilapak Italia S.p.A. (2,407 thousand euros) and Ilapak International SA, (1,145 thousand euros) and concern new products that were not previously available and are targeted at new market segments. Construction in progress has been checked and no adjustments have emerged. Goodwill comprises the following:

in thousands of euros	31.12.2016	31.12.2015
Tea, Food & Other:		
CGU B.F.B. S.p.A.	1,788	1,788
CGU GIMA S.p.A.	1,658	1,658
CGU Corazza Group	18,863	18,863
CGU Dairy&Food Group	24,717	25,017
CGU Ilapak Group	4,117	4,117
CGU Teknoweb Group	13,281	13,281
CGU Medtech	11,581	n.a.
CGU Naturapack S.r.l.	8,723	8,723
CGU TEAMAC	749	n.a.
CGU Telerobot S.p.A.	4,913	n.a.
	90,390	73,447
Pharmaceutical:		
CGU CO.MA.DI.S. S.p.A.	3,782	3,782
CGU DOSA S.r.l.	840	840
CGU G.S. S.r.l. Coating System	7,402	7,402
CGU G.S. Coating Technologies S.r.l.	597	597
CGU Edwards Group	23,079	23,079
CGU Nova Group	14,290	14,357
CGU ICO OLEODINAMICI S.p.A.	1,567	1,567
CGU MKCS Inc.	662	641
CGU Pharmasiena Service S.r.l.	2,073	2,073
CGU Precision Gears Ltd.	4,027	4,027
CGU Shanghai Tianyan	854	854
CGU Zanchetta S.r.l.	2,939	2,939
	62,112	62,158
Total	152,502	135,605

The goodwill recognized on acquisitions of the TEAMAC, Medtech and Telerobot businesses is discussed in Note 29.

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

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

possible to identify the assets and the cash flows of said CGUs, and to check whether allocated goodwill is recoverable through the impairment test. The recoverable value of the CGUs to which goodwill is allocated is tested by determining their value in use, as represented by the present value of expected cash flows discounted using a rate that reflects the risks specific to each CGU at the measurement date.

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

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

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

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

Management has assumed an explicit forecast period of 3 years. At the end of the explicit forecast period (2019), a "normalized flow" is also calculated in order to estimate the terminal value.

The CGU's weighted average cost of capital (WACC) is used as the discounting rate, as determined from a detailed analysis of the capital structure of each CGU. The Capital Asset Pricing Model is used. This mathematical model determines the rate by summing the returns from a risk-free asset 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 2017 budget (approved by the Board of Directors on 14 March 2017) and the 2018-2019 business plan (already discussed at a Board meeting); 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 results on a change in the assumptions used for the growth rate, including changes in the other parameters contributing to formation of the WACC, would result in better impairment results. In any case, management has verified the reasonableness of its assumptions and the outcome of the impairment test by analysing its sensitivity to the growth rate, with positive results.

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

	Goodwill	Average weighted cost of capital employed	
		WACC %	CAGR 2017-2019 Sales %
CGU G.S. S.r.l. Coating System	7,402	5.81	4.00
CGU ICO OLEODINAMICI S.p.A.	1,567	5.81	4.00
CGU CO.MA.DI.S. S.p.A.	3,782	5.81	2.00
CGU Nova Group	14,290	6.18	4.30
CGU Precision Gears Ltd.	4,027	7.38	5.90
CGU Zanchetta S.r.l.	2,939	5.81	4.00
CGU Edwards Group	23,079	6.14	0.11
CGU Naturapack S.r.l.	8,723	5.81	5.00
CGU GIMA S.p.A.	1,658	5.81	2.00
CGU Pharmasiena Service S.r.l.	2,073	5.81	6.00
CGU Corazza Group	18,863	5.81	2.00
CGU Ilapak Group	4,117	5.81	2.00
CGU Dairy&Food Group	24,717	4.58	6.30
CGU Teknoweb Group	13,281	5.81	2.00
CGU Medtech	11,581	5.86	2.00
CGU Telerobot S.p.A.	4,913	5.81	2.00

Management has formalised separate impairment tests, indicating:

-) the object and reasons for the Group's acquisition;
-) identification of the intangibles and their allocation to the CGU;
-) the business plan of the CGU;
-) the definition of recoverable value.

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., independently and prior to these financial statements.

The impairment tests of goodwill conducted in accordance with IAS 36 did not lead to any writedowns.

In addition, during prior years, the amounts of goodwill of the Nova Group, Zanchetta and ICO OLEODINAMICI CGUs were written down by 757 thousand euros, 2,500 thousand euros and 1,500 thousand euros, respectively.

4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Below is a breakdown:

in thousands of euros	31.12.2016	31.12.2015
Associates:		
Amherst Stainless Fabrication LLC	354	226
B.C. S.r.l.	2,385	2,052
Bacciottini F.lli S.r.l.	633	591
Bolognesi S.r.l.	1,026	891
Brio Pharma Technologies Pvt. Ltd.	453	447
Doo Officina-Game East Vrsac	342	342
I.E.M.A. S.r.l.	1,015	827
LA.CO. S.r.l.	459	395
Logimatic S.r.l.	709	627
Meccanica Sarti S.r.l.	1,213	1,213
MORC 2 S.r.l.	1,512	1,405
Petroncini Impianti S.r.l.	2,022	n.a.
Plasticenter S.r.l.	550	520
Powertransmission.it S.r.l.	146	123
SIL.MAC. S.r.l.	783	408
STA.MA. S.r.l.	100	84
Talea S.r.l.	200	n.a.
Sirio S.p.A. Associazione in partecipazione	4,598	5,248
Other investments	227	475
	18,727	15,874
Joint venture:		
CMRE S.r.l.	4,287	4,355
	4,287	4,355
Total	23,014	20,229

In July 2016 Packaging Manufacturing Industry Srl acquired a 20% stake in Talea Srl, based in Castel Guelfo di Bologna (BO) and active in the IT sector, for 200 thousand euros.

In December 2016 GIMA S.p.A. acquired 49% of Petroncini Impianti S.r.l., with headquarters in Sant'Agostino (FE), a leading company in machinery for the coffee production process, for a price of 2,000 thousand euros. The transaction includes an option agreement to buy an additional 31% to be exercised after the date of approval of the financial statements at 31 December 2017 and no later than 31 August 2018.

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

Brief information about transactions with associates is given below:

-) Amherst Stainless Fabrication LLC operates in the field of mechanical engineering and industrial assembly;
-) B.C. S.r.l. manufactures machine parts for the Group and third parties;
-) Bacciottini F.Ili S.r.l. processes sheet metal for pharmaceutical machinery;
-) Bolognesi S.r.l. operates in the field of mechanical engineering and industrial assembly;
-) Brio Pharma Technologies Pvt. Ltd. distributes certain product lines of the Group in India;
-) Doo Officina-Game East Vrsa operates in the field of mechanical engineering, specialising in the construction of machines for third parties;
-) I.E.M.A. S.r.l. designs and produces equipment for automated machinery;
-) LA.CO. S.r.l. manufactures mechanical constructions and repairs machine tools;
-) Logimatic S.r.l. operates in the marketing, distribution and testing of automatic machines;
-) Meccanica Sarti S.r.l. is active in the construction of mechanical components for machinery;
-) MORC 2 S.r.l. operates in the manufacture of industrial handling and automation systems.
-) Plasticcenter S.r.l. is active in the plastics industry;
-) Powertransmission.it S.r.l. manufactures and sells engineering components, assemblies and complete plant;
-) SIL.MAC. S.r.l. operates in the field of mechanical engineering, specialising in the construction of machines for third parties;
-) STA.MA. S.r.l. is active in the assembly, construction and overhaul of automated machines.

Other investments in associates consist of the following:

-) Masterpiece S.r.l. which operates in the field of mechanical engineering;
-) Scriba Nanotecnologie S.r.l. specializes in the study of hi-tech solutions against food adulteration and for tracking pharmaceuticals;
-) Consorzio L.I.A.M., FID S.r.l. Impresa Sociale and S.I.Me. S.r.l.

CMRE Srl, founded in 2012 and active in the real estate sector, has the following key financial figures at 31 December 2016: assets 11,734 thousand euros, liabilities 3,159 thousand euros, equity 8,575 thousand euros and loss of the year 137 thousand euros.

The following table sets out the goodwill included in the carrying amount of the above equity investments at 31 December 2016:

in thousands of euros	31.12.2016	31.12.2015
Associates:		
Bolognesi S.r.l.	429	429
Bacciottini F.Ili S.r.l.	158	158
Brio Pharma Technologies Pvt. Ltd.	279	279
I.E.M.A. S.r.l.	295	295
LA.CO. S.r.l.	129	129
Logimatic S.r.l.	158	158
Meccanica Sarti S.r.l.	1,103	1,103
MORC 2 S.r.l.	1,401	1,401
Petroncini Impianti S.r.l.	1,715	n.a.
Scriba Nanotecnologie S.r.l.	123	317
SIL.MAC. S.r.l.	131	131
Talea S.r.l.	145	n.a.
Total	6,066	4,400

The Group does not have any associated companies that are individually significant; the Group's share of the aggregate amount of profit from associated companies accounted for using the equity method amounts to 1,594 thousand euros (794 thousand euros the previous year). The summary data was prepared using the financial statements at 31 December 2015 of the

associated companies prepared in accordance with the national accounting standards the use of international accounting standards would not result in significant differences.

During 2016 Packaging Manufacturing Industry S.r.l. recognized dividends from associated companies totalling 340 thousand euros from Bacciottini F.lli S.r.l., I.E.M.A. S.r.l., Logimatic S.r.l., Plasticenter S.r.l., SIL.MAC. S.r.l. and STA.MA. S.r.l.

The Group does not have any joint ventures that are individually significant; the Group's share of the 2016 result of the joint venture CMRE Srl, which is accounted for under the equity method, amounted to -68 thousand euros (in the previous year the aggregate amount of the joint ventures came to -282 thousand euros).

As regards guarantees granted to associated companies and joint ventures please read Note 30.

5. FINANCIAL ASSETS

The item breaks down as follows:

in thousands of euros	31.12.2016	31.12.2015
Non-current:		
· Investments in securities	14	14
· Financial receivables	4,122	3,872
· Investments in other companies	3,002	2,828
	7,138	6,714
Current:		
· Investments in securities	3,510	1,643
· Other cash equivalents	3,904	2,858
· Financial receivables	2,153	4,182
	9,567	8,683
Total	16,705	15,397

Non-current financial receivables at 31 December 2016 relate to loans granted to third parties by Ilapak International SA for 2,844 thousand euros (3,242 thousand euros at 31 December 2015), a loan provided by the Parent Company to the associate Logimatic Srl at market conditions for 540 thousand euros (630 thousand euros at 31 December 2015) and financial receivables due to Telerobot SpA for 738 thousand euros.

Investments in other companies mainly include 1.89% in InterMedia Holding S.p.A., 1,346 thousand euros (1,204 thousand euros at 31 December 2015) and 19.8% shares of Continuus Pharmaceuticals Inc., 1,382 thousand euros (1,382 thousand euros at 31 December 2015).

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 recognized in equity. Because of the significant and prolonged decrease in the fair value of the investment in InterMedia in previous years and in the light of objective evidence of impairment, an adjustment of 2,804 thousand euros has been recognized as a financial expense.

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

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

Current financial receivables are attributable to a loan granted by the Parent Company and Packaging Manufacturing Industry S.r.l. to the joint venture CMRE S.r.l. for 1,000 thousand euros, Logimatic S.r.l., LA.CO S.r.l., FID S.r.l. and Doo Officina-Game East Vrsac for 660 thousand euros and to a loan granted by Ilapak International SA to third parties for 480 thousand euros.

Movements in financial assets break down as follows:

in thousands of euros	2016	2015
Opening balance	15,397	11,487
Increases	5,561	6,623
Measurement at fair value recognized in OCI	–	–
Impairment adjustment booked to the income statement	–	(1,205)
Change in scope of consolidation	909	–
Decreases	(5,219)	(1,527)
Exchange rate difference	57	19
Closing balance	16,705	15,397
Of which:		
Non-current financial assets available for sale	3,016	2,842
Current financial assets available for sale	7,414	4,501
Non-current financial receivables	4,122	3,872
Current financial receivables	2,153	4,182
Total	16,705	15,397

6. RECEIVABLES FROM OTHERS

These mainly include various guarantee deposits.

7. DERIVATIVE FINANCIAL INSTRUMENTS

This item breaks down as follows:

in thousands of euros	Assets 31.12.2016	Assets 31.12.2015	Liabilities 31.12.2016	Liabilities 31.12.2015
Interest rate hedging instruments:				
· Interest rate swap (non-current) cash flow hedges	–	–	2,280	2,592
· Interest rate swap (current) cash flow hedges	–	–	–	–
	–	–	2,280	2,592
Exchange rate hedging instruments:				
· Exchange rate hedging instruments (current) cash flow hedges	218	549	1,136	139
	218	549	1,136	139
Total	218	549	3,416	2,731

INTEREST RATE DERIVATIVES

The Group uses interest rate derivatives (cash flow hedges) to manage the risk of changes in the interest rates on the bond and on the borrowings from banks, transforming part of them from floating to a maximum fixed rate via the purchase of a cap and the sale of a floor. At 31 December 2016, the amount of 2,280 thousand euros in liabilities represents the fair value of options arranged by the Parent Company with leading credit institutions to hedge interest rate risk; such options are linked to the bond and to a portion of medium-term loans, maturing within 2020 and hedging a nominal value of 50.0 million US dollars and 71.0 million euros (50.0 million US dollars and 97.5 million euros at 31 December 2015).

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 2016, the amounts of 218 thousand euros in assets and 1,136 thousand euros in liabilities represent the fair value of these derivative contracts.

The notional amount of these exchange rate hedges were 52.4 million US dollars, 7.8 million Chinese yuan and 1.2 million Canadian dollars (23.2 million US dollars, 39.3 million Chinese yuan and 2.0 million Swiss francs at 31 December 2015).

8. DEFERRED TAX ASSETS AND LIABILITIES

All foreign currency derivatives at 31 December 2016 mature within 12 months.

At 31 December 2016, the deferred tax asset mainly relates to a deferred tax asset recognized in 2012 on the release of the uplift in the carrying amounts of the controlling interests recorded in IMA SpA's consolidated financial statements and temporary differences arising on provisions; 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:

in thousands of euros	31.12.2016	31.12.2015
Deferred tax assets:		
· within 12 months	28,751	19,251
· after 12 months	36,165	34,738
	64,916	53,989
Deferred tax liabilities:		
· within 12 months	(17,524)	(9,163)
· after 12 months	(44,611)	(50,363)
	(62,135)	(59,526)
Total	2,781	(5,537)

in thousands of euros	31.12.2016	31.12.2015
Net amount at the start of the year	(5,537)	20,212
Credited / (Charged) to the income statement	1,856	5,628
Credited / (Charged) to equity	1,869	(1,966)
Change in scope of consolidation	4,519	(27,880)
Reduction of "IRES" tax rate	-	(1,583)
Exchange rate difference and other changes	74	52
Net amount at the end of the year	2,781	(5,537)

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

in thousands of euros	Accrued to provisions	Losses carried forward	Amortization	Income (losses) from fair value	Actuarial valuation	Other	Total
Balances at 01.01.15	18,978	3,286	(20,433)	1,278	1,438	15,665	20,212
Effect on the income statement	1,131	1,373	4,304	-	-	(1,180)	5,628
Effect on equity	-	-	-	(665)	(1,530)	229	(1,966)
Change in scope of consolidation	1,978	-	(32,534)	-	3,504	(828)	(27,880)
Reduction of "IRES" tax rate	(1,527)	(19)	1,630	(78)	(128)	(1,461)	(1,583)
Exchange rate difference and other changes	1,635	160	(969)	-	181	(955)	52
Balances at 31.12.15	22,195	4,800	(48,002)	535	3,465	11,470	(5,537)
Effect on the income statement	(952)	(1,108)	3,810	-	-	106	1,856
Effect on equity	-	-	-	165	1,080	624	1,869
Change in scope of consolidation	3,279	1,744	(958)	-	454	-	4,519
Exchange rate difference and other changes	1,237	(557)	(287)	(2)	12	(329)	74
Balances at 31.12.16	25,759	4,879	(45,437)	698	5,011	11,871	2,781

"Other" mainly includes deferred tax assets relating to the franking of revaluations in 2012 and the elimination of unrealized intra-group profits.

At the reporting date, the amount of unused tax losses for which the deferred tax asset is not recognized in the balance sheet is equal to 47,182 thousand euros. This is mainly related to the tax losses of certain companies belonging to the Dairy&Food business (65,146 thousand euros at 31 December 2015).

9. INVENTORIES

Below is a breakdown:

in thousands of euros	31.12.2016			31.12.2015		
	Gross value	Impairment provision	Net value	Gross value	Impairment provision	Net value
Raw, ancillary and consumable materials	64,677	(14,339)	50,338	59,475	(14,134)	45,341
Work in progress and semifinished goods	244,688	(28,396)	216,292	206,043	(29,759)	176,284
Finished products and goods for resale	16,062	(3,783)	12,279	15,232	(3,897)	11,335
Total	325,427	(46,518)	278,909	280,750	(47,790)	232,960

At 31 December 2016, the inventories attributable to the companies of the Medtech business and Telerobot S.p.A. amounted to 2,567 thousand euros and 3,092 thousand euros respectively. The increase in inventories since 31 December 2015 mainly reflects the substantial amount of the order book at the end of the year.

Movements in these provisions in the period were as follows:

in thousands of euros	
Balances at 01.01.2015	33,246
Net provisions (uses)	4,652
Change in scope of consolidation	9,502
Exchange rate difference	390
Balances at 31.12.2015	47,790
Net provisions (uses)	(3,027)
Change in scope of consolidation	1,695
Exchange rate difference	60
Balances at 31.12.2016	46,518

The decrease in the inventory allowance during the year essentially reflects the amounts released on the scrapping of obsolete goods by the Parent Company and certain Group companies.

The net increase in inventories reported in the consolidated cash flow statement differs from the change in the corresponding item of the balance sheet as a result of inventories attributable to business combinations during the period, as commented in Note 29.

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

This item breaks down as follows:

in thousands of euros	31.12.2016	31.12.2015
Trade receivables	308,912	247,980
Advances to suppliers	22,066	15,153
Tax receivables	16,306	9,584
Deferrals	5,988	3,409
Other receivables	6,149	12,287
Total	359,421	288,413

TRADE RECEIVABLES

Trade receivables include customer receivables of 167,566 thousand euros (148,614 thousand euros at 31 December 2015), amounts due on construction contracts of 130,669 thousand euros (93,585 thousand euros at 31 December 2015) and trade receivables from associates of 10,677 thousand euros (5,781 thousand euros at 31 December 2015). At 31 December 2016, the amount of trade receivables attributable to the newly acquired Medtech business comes to 29,758 thousand euros.

Trade receivables from customers are carried net of accumulated provisions amounting to 18,466 thousand euros (14,810 thousand euros at 31 December 2015).

The changes in the allowance for doubtful accounts during the year are summarized below:

in thousands of euros	2016	2015
Opening balance	14,810	13,980
Effect to the income statement	1,739	82
Uses	(1,623)	(731)
Change in scope of consolidation	3,533	1,286
Exchange rate difference	7	193
Closing balance	18,466	14,810

Customer receivables falling due beyond 12 months amounted to 629 thousand euros (857 thousand euros at 31 December 2015). Credit facilities granted to customers who reside in countries with particular risks are guaranteed by suitable financial instruments to secure collection.

Receivables assigned without recourse that had not yet fallen due at 31 December 2016 amounted to around 41,143 thousand euros (51,717 thousand euros at 31 December 2015) of which 37,072 thousand euros is assigned to factoring companies and 4,071 thousand euros to other financial institutions. The period saw the assignment without recourse of receivables with an overall nominal value of around 61,013 thousand euros (69,451 thousand euros in 2015). The requirements for eliminating these receivables exist in accordance with IAS 39.

Amount due in respect of construction contracts, determined on a percentage-of-completion basis, is shown below net of advances:

in thousands of euros	31.12.2016	31.12.2015
Construction contracts (costs incurred plus recognized margins)	300,214	195,124
Advances received	(169,545)	(101,539)
Due from customers	130,669	93,585

Amount due to customers (included in trade payables and other payables under advances) in respect of construction contracts, determined on a percentage-of-completion basis, is shown below net of the amounts due from customers:

in thousands of euros	31.12.2016	31.12.2015
Advances received	(107,473)	(66,053)
Construction contracts (costs incurred plus recognized margins)	74,646	44,505
Due to customers	(32,827)	(21,548)

At 31 December 2016 the amounts due from and to customers of companies belonging to the Medtech business are 25,819 thousand euros and 3,178 thousand euros respectively.

Revenues from contract work in 2016 amounted to 583,751 thousand euros (409,486 thousand euros in 2015).

The breakdown by maturity is as follows:

in thousands of euros	Undue	Past due less than one year	Past due more than one year	Total
31.12.2016				
Receivables from customers (gross)	120,785	46,634	18,613	186,032
Provision for bad debts	(1,757)	(1,791)	(14,918)	(18,466)
Receivables from customers (net)	119,028	44,843	3,695	167,566
31.12.2015				
Receivables from customers (gross)	109,046	40,657	13,721	163,424
Provision for bad debts	(1,736)	(1,869)	(11,205)	(14,810)
Receivables from customers (net)	107,310	38,788	2,516	148,614

The high credit standing of our customers, largely multinationals, and the lack of any significant concentration of receivables by type or geographical area, reduce credit risk and suggest that the allowance for doubtful accounts is sufficient. In particular, the recoverability of the carrying amount of receivables and the need for recognition of a possible write-down are the result of a process that involves subjective judgements by the Group. The factors taken into consideration principally affect the creditworthiness of the counterparty, the amount and timing of expected future payments and any action taken or to be taken to recover the receivables.

ADVANCES TO SUPPLIERS

At 31 December 2016 these relate to advances paid to suppliers for inventory goods of 16,512 thousand euros (10,285 thousand euros at 31 December 2015) and services of 5,554 thousand euros (4,868 thousand euros at 31 December 2015).

This item also includes advances to associates of 2,653 thousand euros (3,417 thousand euros at 31 December 2015).

TAX RECEIVABLES

Tax receivables mainly consist of VAT recoverable.

OTHER RECEIVABLES

It is worth pointing out that at 31 December 2015 this item included the residual balance of the 8,000 thousand euros receivable from Sacmi Imola SC in connection with the sale of the interest in CMH Srl, which was liquidated in December 2016.

The net increase in trade and other receivables reported in the consolidated cash flow statement differs from the change in the corresponding item of the balance sheet as a result of trade receivables attributable to business combinations carried out during the period, as commented on in Note 29, and the collection the residual amount due in connection with the sale of the interest in CMH S.r.l., classified under Investing Activities.

11. INCOME TAX RECEIVABLES AND PAYABLES

At 31 December 2016 income tax receivables and payables amount to 7,985 thousand euros and 14,418 thousand euros (7,681 thousand euros and 11,870 thousand euros respectively at 31 December 2015).

Income tax receivables principally reflect the amounts recorded by the Italian companies in the Group that have presented claims for the reimbursement of IRES. These claims are linked to the previous non-deduction of the IRAP charged on personnel expenses incurred in the period 2007-2011.

Tax payables represent the amount of current taxes on taxable income, to be paid to the consolidating companies SO.FI.M.A. S.p.A. and GIMA S.p.A., which pay taxes to the Italian tax authorities on behalf of the Group's Italian companies which joined the domestic tax group, and to the competent tax authorities for the other Group companies.

The following companies form part of the domestic tax group: IMA S.p.A., Corazza S.p.A., Packaging Manufacturing Industry S.r.l. and Revisioni Industriali S.r.l. as consolidated companies and SO.FI.M.A. S.p.A. as the consolidating company. Furthermore, GIMA S.p.A. as consolidating company and Fillshape S.r.l. as consolidated company form part of the domestic tax group.

At 31 December 2016 receivables from and payables to SO.FI.M.A. S.p.A. amount to 3,643 thousand euros and 4,642 thousand euros respectively (receivables for 3,643 thousand euros and payables for 2,929 thousand euros at 31 December 2015).

12. CASH AND CASH EQUIVALENTS

This item breaks down as follows:

in thousands of euros	31.12.2016	31.12.2015
Bank current accounts	196,664	150,797
Deposits	4,190	5,081
Cheques and cash	227	200
Total	201,081	156,078

For a better understanding of the trend in net financial indebtedness, reference should be made to Note 15.

13. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	Shares in thousands	Share capital	Share premium reserve	Treasury shares
Balance at 01.01.2015	36,822	19,151	4,818	(71)
Capital increases	682	354	27,773	-
Distribution of dividends	-	-	-	-
Purchase and sale of treasury shares	-	-	-	-
Balance at 31.12.2015	37,504	19,505	32,591	(71)
Capital increases	1,750	910	90,227	-
Distribution of dividends	-	-	-	-
Purchase and sale of treasury shares	-	-	-	-
Balance at 31.12.2016	39,254	20,415	122,818	(71)

SHARE CAPITAL, SHARE PREMIUM RESERVE

Share capital at 31 December 2016 is represented by the share capital issued (fully subscribed and paid up) by the Parent Company, IMA S.p.A., comprising 39,260,000 ordinary shares with a par value of 0.52 euros each.

On 6 June 2016, based on the mandate given to it by the Extraordinary Shareholders' Meeting on 27 April 2016, the Board of Directors of IMA S.p.A. approved a cash increase in capital with a total par value of 910,000 euros, equal to around 4.67% of IMA's share capital, by issuing 1,750,000 new ordinary shares of par value 0.52 euros each, excluding shareholders' option rights, for a total of 92,750,000 euros, including a share premium. The placement was by means of an accelerated book-build reserved for qualified investors in Italy and institutional investors abroad. In this transaction, IMA has taken a lock-up commitment for 90 days in line with market practice in similar operations. The shares have been placed at 53 euros per share. The transaction was settled by delivery of the shares and payment of the consideration on 10 June 2016. The attestation of the increase in capital was deposited with the Bologna Company Register on 10 June 2016.

The charges for the increase in share capital amounted to 2,237 thousand euros and consist of bank placement fees, consultancy fees and legal fees. The costs involved in the capital increase have been deducted from equity in accordance with IAS 32, net of the related tax benefit (624 thousand euros) calculated at the applicable rates.

At 31 December 2016 the share premium reserve amounts to 122,818 thousand euros. The increase of 90,227 thousand euros is due to the increase in capital, net of the related costs (1,613 thousand euros, net of the tax effect).

TREASURY SHARES

During 2016 and 2015, the Parent Company did not carry out any transactions in treasury shares. At 31 December 2016, 5,500 shares were held in portfolio (0.014% of share capital) for a total value of 71 thousand euros.

DIVIDENDS

In May 2016, a total dividend of 52,506 thousand euros was paid, equal to 1.40 euros (gross) per ordinary share in circulation (50,631 thousand euros, equal to 1.35 euros gross in May 2015).

In the current year, the Board of Directors of the Parent Company IMA S.p.A. proposes to pay out a dividend of 1.60 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 2016.

FAIR VALUE RESERVE

At 31 December 2016 the fair value reserve essentially relates to the effective component of interest rate swaps.

Changes in the fair value reserve break down as follows:

in thousands of euros	
Balance at 01.01.2015	(3,363)
<i>Cash flow hedges/Hedging instruments</i>	
Measurement at fair value	1,283
Fair value - tax effect	(308)
Reduction of "IRES" tax rate	(78)
Realization recognized in income - revenues	3,604
Realization recognized in income - financial income and expense	(2,478)
Tax effect - realization in income statement	(353)
Balance at 31.12.2015	(1,693)
<i>Cash flow hedges/Hedging instruments</i>	
Measurement at fair value	(404)
Fair value - tax effect	91
Realization recognized in income - revenues	(213)
Realization recognized in income - costs	68
Realization recognized in income - financial income and expense	(127)
Tax effect - realization in income statement	65
Balance at 31.12.2016	(2,213)

OTHER RESERVES AND RETAINED EARNINGS

The changes during the year principally reflect the allocation to reserves of the net profit for the prior year and the changes in minority interests discussed in Note 14. In addition, this item includes the reserve on the remeasurement of defined benefit plans, the movements of which during the period were as follows:

in thousands of euros	
Balance at 01.01.2015	(3,691)
Change in scope of consolidation	(8,540)
Actuarial value	5,719
Tax effect	(1,551)
Reduction of "IRES" tax rate	(128)
Exchange rate difference	(9)
Balance at 31.12.2015	(8,200)
Change in scope of consolidation	(2,362)
Actuarial value	(3,003)
Tax effect	1,054
Exchange rate difference and other changes	(72)
Balance at 31.12.2016	(12,583)

14. NON-CONTROLLING INTERESTS

The direct and indirect investments held by the Parent Company IMA S.p.A. together with minority shareholders are indicated below:

	Country	31 December 2016		31 December 2015	
		% held by the Group	% held by third parties	% held by the Group	% held by third parties
Direct investments:					
GIMA S.p.A.	Italy	100%	–	73.5%	26.5%
GIMA Holding S.r.l.	Italy	n.a.	n.a.	73.5%	26.5%
GIMA TT S.p.A. (*)	Italy	70%	30%	63.81%	36.19%
IMA Fuda (Shanghai) Packaging Mach. Co. Lt	PRC	80%	20%	n.a.	n.a.
Pharmasiena S.r.l.	Italy	70%	30%	70%	30%
Transworld Packaging Holding B.V.	The Netherlands	81%	19%	81%	19%
Indirect investments:					
Digidoc S.r.l.	Italy	80%	20%	80%	20%
Dreamer S.r.l.	Italy	90%	10%	66.15%	33.85%
Fillshape S.r.l.	Italy	80%	20%	58.8%	41.2%
Shanghai Tianyan Ph. Mach. Co. Ltd.	PRC	86.29%	13.71%	86.29%	13.71%
Teknoweb N.A. Llc	USA	75%	25%	75%	25%

(*) At 31 December 2015 the investment in GIMA TT S.p.A. was held by GIMA S.p.A.

Transworld Packaging Holding B.V. controls fourteen companies, either directly or indirectly. For further information, see the list of equity investments provided in section H of the explanatory notes.

At 31 December 2016, minority interests amount to 14,647 thousand euros (16,784 thousand euros at 31 December 2015) and principally relate to GIMA TT S.p.A., 8,250 thousand euros and the Ilapak Group, 5,715 thousand euros.

The partial, proportional spin-off from GIMA S.p.A. took effect from 1 January 2016, with the assignment to the beneficiary, GIMA Holding S.r.l., of the entire equity interest in GIMA TT S.p.A., as well as the absorption by GIMA TT S.p.A. of its parent, GIMA Holding S.r.l. As a result of these transactions, GIMA Holding S.r.l. has been cancelled, as has IMA S.p.A.'s possession of the investment that was formerly owned by GIMA S.p.A.

On 3 March 2016, IMA S.p.A. acquired a further 6.189% interest in GIMA TT S.p.A. for 12,378 thousand euros and now owns 70% of that company. Some of the parties to the transaction are related parties. The total effect of the transaction on the equity attributable to the shareholders of the Parent Company was to reduce the reserves by 11,118 thousand euros.

On 18 April 2016, IMA S.p.A. acquired from related parties a further 25% interest in GIMA S.p.A. for 21,698 thousand euros. Subsequently, on 12 December 2016, IMA S.p.A. acquired the residual 1.5% from related parties for a consideration of 1,302 thousand euros, bringing the total ownership percentage to 100% and increasing the percentage held in Dreamer S.r.l. and Fillshape S.r.l. The total effect of the transaction on the equity attributable to the shareholders of the Parent Company was to reduce the reserves by 21,751 thousand euros.

For further details, please read Note 32.

GIMA TT S.p.A., which manufactures automated packaging machines for the tobacco sector, is the only IMA Group subsidiary with significant minority interests.

The following is a summary of the key figures of GIMA TT S.p.A. at 31 December 2016, with comparative figures at 31 December 2015:

in thousands of euros	31.12.2016	31.12.2015
Non-current assets	1,806	1,637
Current assets	92,340	61,354
Non-current liabilities	(130)	(125)
Current liabilities	(66,521)	(42,497)
Equity	27,495	20,369

in thousands of euros	2016	2015
Revenues and other revenues	100,511	69,468
Costs	(60,752)	(46,892)
Financial income and expense	(14)	209
Taxes	(12,512)	(7,194)
Profit for the year	27,233	15,591

in thousands of euros	31.12.2016	31.12.2015
Cash flows from operating activities	23,730	12,610
Cash flows from investing activities	(492)	(539)
Cash flows from financing activities	10,471	(14,479)
Net change in liquid funds	33,709	(2,408)

Dividends paid to the minority shareholders in 2016 amount to 7,537 thousand euros (2,917 thousand euros in 2015) and refer to GIMA S.p.A and GIMA TT S.p.A.

15. BORROWINGS

This item comprises payables to banks of 192,625 thousand euros (210,547 thousand euros at 31 December 2015), payables to other lenders of 3,753 thousand euros (3,163 thousand euros at 31 December 2015) and bonds of 118,346 thousand euros (118,061 thousand euros at 31 December 2015).

PAYABLES TO BANKS

Payables to banks break down as follows:

in thousands of euros	31.12.2016	31.12.2015
Non-current:		
· Applied research and technological innovation loans	4,069	5,053
· Other loans	104,299	107,057
	108,368	112,110
Current:		
· Current accounts	4,171	11,724
· Advances on domestic transactions (Italy)	920	1,043
· Advances on export transactions	30,054	33,596
· Advances on export transactions to be carried out	346	12,149
· Applied research and technological innovation loans	979	969
· Other loans	47,787	38,956
	84,257	98,437
Total	192,625	210,547

Applied research and technological innovation loans

Repayments totalling 996 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 the Parent Company and comprise new loans of 50,000 thousand euros and repayments of 41,850 thousand euros.

Payables to banks are analyzed by maturity as follows:

in thousands of euros	31.12.2016	31.12.2015
Due within 1 year	84,257	98,437
Due from 1 to 5 years	108,368	111,481
Due after more than 5 years	–	629
Total	192,625	210,547

Applied research and technological innovation loans and other loans are analyzed below by currency:

in thousands of euros	31.12.2016	31.12.2015
Euro	157,134	149,673
Chinese yuan	–	2,358
Other	–	4
Total	157,134	152,035

It is worth pointing out that a loan obtained by the Parent Company in 2014 from the European Investment Bank (EIB), at 31 December 2016 is secured by a SACE guarantee of 9,800 thousand euros. Certain loans and financings are guaranteed by compliance with certain financial covenants calculated on the Group consolidated accounts:

-) ratio between net financial expense and EBITDA;
-) ratio of net financial indebtedness to equity;
-) ratio between net debt and EBITDA;
-) ratio between gross debt and EBITDA.

The non-compliance with such covenants would constitute a material event for the purposes of calling in the related loans. At 31 December 2016, all covenant requirements have been met.

Interest rates on financial payables are on average less than 5% (less than 5% in 2015).

At 31 December 2016 the Group had around 374 million euros of unutilised borrowing facilities (around 298 million euros at 31 December 2015).

The book value of advances on export transactions reflects a good estimate of their fair value. For mortgages and other loans, the fair value, calculated in terms of the discounted value of future cash flows of principal and interest, would not lead to any increase in debt in view of the negative trend of the yield curve for government bonds at the balance sheet date (about 31 million euros at 31 December 2015).

PAYABLES TO OTHER LENDERS

This item breaks down as follows:

in thousands of euros	31.12.2016	31.12.2015
Non-current:		
· Payables to leasing companies	813	782
· Other	1,508	1,044
	2,321	1,826
Current:		
· Payables to leasing companies	217	163
· Payables to factoring companies	69	96
· Other	1,146	1,078
	1,432	1,337
Total	3,753	3,163

At 31 December 2016, the amount payable to leasing companies principally includes the finance lease for the factory in Krakow (Poland) and other assets used by Ilapak Sp. Zo.o for a total of 929 thousand euros (916 thousand euros at 31 December 2015).

"Other" includes the guaranteed financial payables of Ilapak Italia S.p.A., 1,971 thousand euros (2,084 thousand euros at 31 December 2015). There are no payables that fall due beyond 5 years.

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

in thousands of euros	Due within 1 year	Due from 1 to 5 years	Due after 5 years	Total
Year 2016				
Minimum payments of finance leases	291	893	–	1,184
Less future financial charges	(74)	(80)	–	(154)
Present value of finance lease payables	217	813	–	1,030
Year 2015				
Minimum payments of finance leases	234	905	–	1,139
Less future financial charges	(71)	(123)	–	(194)
Present value of finance lease payables	163	782	–	945

BONDS

In May 2014, the Parent Company completed the placement with European institutional investors of a non-convertible bond amounting to 80 million euros, represented by two separate issues of equal amount with 5 and 7 years to maturity, redeemable in lump sums on the respective maturity dates. These bonds bear interest at a fixed rate of 3.875% and 4.375% respectively.

In February 2013 IMA S.p.A. completed the US Private Placement of a non-convertible bond totalling 50 million US dollars with repayment in equal instalments over 10 years, starting from the fourth year. This bond incurs interest at a fixed rate of 6.25%.

The bonds are not guaranteed, but certain covenants must be met.

At 31 December 2016, outstanding bonds total 118,346 thousand euros, representing their nominal redemption value of 80 million euros and 50 million US dollars. Bonds are made up of:

in thousands of euros	31.12.2016	31.12.2015
Non-current portion	110,497	115,446
Current portion	7,849	2,615
Total book value	118,346	118,061
Adjustment to fair value and measurement at amortized cost	9,088	7,866
Present value of finance lease payables	127,434	125,927

NET DEBT

The breakdown of net debt, alternative performance indicator, is as follows:

in thousands of euros	31.12.2016	31.12.2015
A. Cash and cash equivalents	(201,081)	(156,078)
B. Other cash equivalents	(3,904)	(2,858)
C. Investments in securities	(3,510)	(1,643)
D. Liquidity (A)+(B)+(C)	(208,495)	(160,579)
E. Current financial receivables	(2,153)	(4,182)
F. Current payables to banks	35,491	61,069
G. Current portion of non-current payables	57,022	40,337
H. Other current financial payables	1,025	983
I. Current financial debt (F)+(G)+(H)	93,538	102,389
J. Net current financial debt (D)+(E)+(I)	(117,110)	(62,372)
K. Non-current portion of non-current bank payables	108,368	112,110
L. Bond issued	110,497	115,446
M. Other non-current financial payables	2,321	1,826
N. Non-current financial assets	(4,136)	(3,886)
O. Net non-current financial debt (K)+(L)+(M)+(N)	217,050	225,496
P. Net financial debt (J)+(O)	99,940	163,124

When preparing the table of net financial indebtedness, which is not identified as an accounting measurement by international accounting standards, we took into account the requirements of Consob Communication DEM/6064293 of 28 July 2006, even though we included financial receivables classified as non-current financial assets.

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

The Group also has payables in respect of acquisitions totalling 19,898 thousand euros (33,864 thousand euros at 31 December 2015), essentially relating to the options agreed for the purchase of the minority interests in subsidiaries. The change with respect to the previous period is mainly due to the options exercised in advance in connection with the purchase of the remaining 20% of the Dairy&Food business. See Note 18 for further information.

Net debt at 31 December 2016 showed a significant reduction to 99,940 thousand euros (163,124 thousand euros at 31 December 2015). The decrease of 63,184 thousand euros is mainly due to the increase in capital carried out in June of 90,665 thousand euros, net of the acquisition of the Medtech business and Telerobot for a total of 24,389 thousand euros, the purchase of the minority interests in GIMA SpA and GIMA TT SpA for a total of 35,592 thousand euros and the dividends paid by the Parent Company for 52,506 thousand euros.

16. EMPLOYEE DEFINED BENEFIT LIABILITIES

This item includes post-employment benefits valued actuarially by independent actuaries using the project unit credit method under IAS 19. It mainly comprises the pension funds belonging to the newly-acquired companies of the Dairy&Food business and severance indemnity provisions made by the Group's Italian companies.

The changes in the provisions during the year were as follows:

in thousands of euros	
Balance at 01.01.2015	22,560
Service cost	845
Financial expense	756
Net actuarial losses (gains) recognized during the year	(5,657)
Change in scope of consolidation	35,581
Severance payments made during the year	(3,081)
Exchange rate difference	54
Other changes	126
Balance at 31.12.2015	51,184
Service cost	1,164
Financial expense	974
Net actuarial losses (gains) recognized during the year	3,096
Change in scope of consolidation	4,265
Severance payments made during the year	(2,853)
Exchange rate difference	90
Other changes	6
Balance at 31.12.2016	57,926

The change in scope of consolidation includes the defined benefit plans of the newly acquired companies Telerobot SpA and IMA Medtech Switzerland SA and of the Teamac business.

The employee defined benefit liabilities are analyzed below by geographical area:

in thousands of euros	31.12.2016	31.12.2015
Italy	19,744	18,668
Germany	31,027	28,127
Switzerland	3,751	1,256
France	2,304	2,107
North America	345	303
Other countries	755	723
Total	57,926	51,184

The companies forming part of the Dairy & Food business showed the following key figures at 31 December 2016:

in thousands of euros	Country	31.12.2016	31.12.2015
Benhil GmbH	Germany	6,910	6,787
Erca S.A.	France	1,994	1,850
GASTI Verpackungsmaschinen GmbH	Germany	677	586
Hamba Filltec GmbH & Co. KG	Germany	20,850	18,245
Hassia Verpackungsmaschinen GmbH	Germany	2,462	2,418
Total		32,893	29,886

The following economic-financial assumptions were adopted in relation to the above companies:

	31.12.2016	31.12.2015
Annual discount rate	1.75%	2.40%
Annual rate of increase of total compensation	2.5-2.2%	2.5-2.2%
Annual rate of increase of pension fund	1.5-0%	1.5-0%

The iBoxx Eurozone Corporates AA 10+ index has been used as a parameter for the discount rate. The demographic assumptions used for the Dairy&Food companies derive from specific demographic tables for the countries in question.

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

	31.12.2016	31.12.2015
Annual discount rate	1.50%	1.95%
Annual inflation rate	1.50%	1.75%
Annual rate of increase of total compensation	3.00%	3.25%
Annual rate of increase of severance indemnity	2.63%	2.81%

The discount rate applicable to Italian companies was determined with reference to the iBoxx Eurozone Corporates AA 10+ index.

The main demographic assumptions used by the actuary for the Italian companies are the following:

-) life expectancies: those determined by the State General Accounting Office (RG48 split 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 from 2.5% to 6%;
-) probability of advance payments: an annual frequency from 3% to 5% for requests for advances of 60/70%.

The details of net assets or liabilities for benefits to employees related to the American company Ilapak Inc. pension plan are the following:

in thousands of euros	
Present value of defined benefit obligations	4,277
Fair value of plan assets	(4,188)
Net defined benefit liabilities at 31 December 2015	89
Present value of defined benefit obligations	4,550
Fair value of plan assets	(4,432)
Net defined benefit liabilities at 31 December 2016	118

The changes in in the present value of the obligation is the following:

in thousands of euros	2016	2015
Opening balance	4,277	3,734
Financial expense	168	163
Actuarial losses (gains)	15	5
Severance payments made during the year	(57)	(57)
Exchange rate difference	147	432
Present value of defined benefit obligations	4,550	4,277
Opening balance	4,188	3,801
Return on plan assets	159	7
Severance payments made during the year	(57)	(57)
Exchange rate difference	142	437
Fair value of plan assets	4,432	4,188

The assets servicing the plan consist 95% of US treasury bonds, corporate bonds and insurance policies. The risk profile and volatility associated with this plan are deemed to be low and the average return on the individual types of bonds in 2016 was around 3%. The liquidity that the plan is able to generate depends on fluctuations in the interest rates on the individual securities held.

The revised version of IAS 19 requires sensitivity analysis to be performed on the main actuarial assumptions used for the computational model; separate sensitivity analyses have therefore been performed for the Italian companies and for the companies in the Dairy&Food business versus severance indemnities at 31 December 2016 of 19,539 thousand euros and pension funds of 32,893 thousand euros. The results are summarized in the following table:

in thousands of euros	Annual discount rate		Annual inflation rate		Turnover rate	
	+0.50%	-0.50%	+0.25%	-0.25%	+2.00%	-2.00%
Provision for severance indemnities italian companies	18,572	20,581	19,820	19,260	19,250	19,908
in thousands of euros	Annual discount rate		Pension funds increases		Life expectancy	
	+0.25%	-0.25%	+0.25%	-0.25%	+ 1 year	- 1 year
Pension funds Dairy&Food company	31,629	34,234	33,857	31,969	34,212	31,584

The contributions expected to be made in future years in respect of the obligations of the main defined benefit plans involve the following payments:

in thousands of euros	2016	2015
Within 1 year	968	1,053
From 1 to 5 years	4,375	4,000
From 5 to 10 years	6,621	6,294
Total expected payments italian companies	11,964	11,347
Within 1 year	1,299	1,307
From 1 to 2 years	1,117	1,137
From 2 to 3 years	1,139	1,110
Total expected payments Dairy&Food business companies	3,555	3,554

17. PROVISIONS FOR RISKS AND CHARGES

These provisions are analyzed as follows:

in thousands of euros	Balance at 31.12.2015	Net increases	Net decreases	Change in scope of consolidation	Exchange rate differences	Balance at 31.12.2016
Non-current:						
Agency termination indemnities	5,072	355	(439)	–	–	4,988
Other provisions	1,075	217	(408)	–	(5)	879
	6,147	572	(847)	–	(5)	5,867
Current:						
Product guarantee provision	23,140	6,673	(4,701)	550	58	25,720
Other provisions	2,814	2,915	(2,498)	1,995	(30)	5,196
	25,954	9,588	(7,199)	2,545	28	30,916
Total	32,101	10,160	(8,046)	2,545	23	36,783

The change in scope of consolidation refers to Telerobot S.p.A. and IMA Automation USA Inc. The product guarantee provision was established on the basis of estimated expenses for work to be performed under guarantee after 31 December 2016, calculated on the basis of historical costs and expected costs of machines still under guarantee. Other provisions are made up of provisions for risks and charges made to cover tax liabilities or charges that might arise from contractual obligations; Group companies used experienced tax consultants to quantify the provisions.

During the first half of 2010, the Parent Company was subjected to a tax audit by the Tax Authorities that ended in June 2010. It covered the 2007 tax year, together with the earlier and later periods affected by transactions carried out in the reference year. Following the audit and delivery of its report on findings, the Tax Authorities issued notices of assessment in relation to the tax periods 2005, 2006 and 2007, which IMA S.p.A. has challenged by lodging an appeal before the competent Tax Commissions. The amounts set aside to cover any liabilities deriving from this audit are included in Other provisions. So far, the dispute relating to 2005 is pending before the Supreme Court, while those relating to 2006 and 2007 are pending before the Regional Tax Commission of Emilia-Romagna.

18. TRADE PAYABLES AND OTHER PAYABLES

This item is analyzed as follows:

in thousands of euros	31.12.2016	31.12.2015
Trade payables	328,215	250,860
Advances from customers	170,670	138,858
Social security and defined-contribution plan payables	12,084	11,349
Tax payables	12,737	10,611
Employee payables	54,698	46,046
Payables in respect of acquisitions	19,898	33,864
Deposits	3,722	5,028
Other payables	14,821	13,141
Total	616,845	509,757

TRADE PAYABLES

These include trade payables to suppliers of per 241,843 thousand euros (196,388 thousand euros at 31 December 2015), payables to agents of 11,473 thousand euros (10,358 thousand euros at 31 December 2015) and trade payables to associates of 74,899 thousand euros (44,114 thousand euros at 31 December 2015).

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

ADVANCES FROM CUSTOMERS

The high level of advances from customers for uncompleted contracts is due mainly to the large volume of orders received at the reporting date.

Information on the amount due to customers for construction contracts (32,827 thousand euros) can be found in Note 10.

TAX PAYABLES

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

EMPLOYEE PAYABLES

This item includes 401 thousand euros classified as non-current liabilities (1,805 thousand euros at 31 December 2015).

PAYABLES IN RESPECT OF ACQUISITIONS

At 31 December 2016 this item includes payables for the acquisition of investments attributable to the acquisitions of the Teknoweb and Medtech businesses and Telerobot SpA for 8,924 thousand euros, 7,449 thousand euros and 2,625 thousand euros, respectively, as well as the residual debt of GS Coating Technologies Srl for 900 thousand euros.

In April 2016, the Parent Company signed an agreement with Lin Vermoegensverwaltung GmbH for the purchase of the remaining 20% of the Dairy&Food Group, following the early exercise of the put&call option. This is discussed further in the section of this report on Scope of consolidation.

The total amount of payables for acquisitions classified under non-current liabilities comes to 13,811 thousand euros (32,714 thousand euros at 31 December 2015).

OTHER PAYABLES

At 31 December 2016 other payables include 5,880 thousand euros classified under non-current liabilities (2,730 thousand euros at 31 December 2015) related to the medium and long term variable component of payroll that can be earned by three directors on the achievement of pre-defined measurable targets over three years.

The net increase in trade payables and other payables reported in the consolidated cash flow statement differs from the change in the corresponding items in the statement of financial position as a result of trade payables attributable to the business combinations carried out during the period, as commented on in Note 29. In addition, this increase does not include the change in the debt relating to the purchase of the other 20% of the Dairy&Food Group, classified in Operating Activities for the gain realized and in Financing Activities for the price paid.

19. OTHER REVENUES

This item breaks down as follows:

in thousands of euros	2016	2015	Change
Capital gains on disposal of non-current assets	621	236	385
Out-of-period income	2,466	1,754	712
Capitalization of internal construction costs	11,280	11,924	(644)
Other revenues and income	8,380	6,059	2,321
Total	22,747	19,973	2,774

The increase in non-current assets for internal work in 2016 refer for 9,497 thousand euros to development costs (10,742 thousand euros in 2015) and for 1,783 thousand euros to equipment and machinery (1,182 thousand euros in 2015).

Other revenues include 647 thousand euros attributable to the Medtech companies and to Telerobot S.p.A., which were consolidated from April and May 2016.

20. COST OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS FOR RESALE

This item breaks down as follows:

in thousands of euros	2016	2015	Change
Raw materials and semifinished goods	448,685	328,923	119,762
Consumables and ancillary materials	18,184	17,275	909
Marketable goods	49,281	48,983	298
Other purchases	4,475	3,132	1,343
Total	520,625	398,313	122,312

The cost of raw, ancillary and consumable materials and goods attributable to the Medtech companies and to Telerobot SpA, which were not included in the scope of consolidation in 2015, amounted to 32,222 thousand euros.

The item includes non-recurring charges for 840 thousand euros as discussed in Note 33.

21. SERVICES, RENTALS AND LEASES

This item breaks down as follows:

in thousands of euros	2016	2015	Change
External works and assembly	76,410	55,294	21,116
Maintenance and repair	9,509	7,952	1,557
Energy, telephone, gas, water and postal charges	13,837	12,529	1,308
Fees due	16,163	13,718	2,445
Technical, legal, tax and administrative consulting services	62,522	51,446	11,076
Advertising and promotions	4,627	4,300	327
Exhibitions	4,352	4,967	(615)
Travel and insurance	36,228	31,981	4,247
Transport	17,612	15,625	1,987
Bank charges	1,926	2,007	(81)
Rent expense	19,542	17,464	2,078
Operating lease fees	1,005	861	144
Rental fees	3,156	2,588	568
Other services	18,886	18,738	148
Total	285,775	239,470	46,305

Service costs and rental and lease expenses attributable to the Medtech companies and to Telerobot SpA, which were consolidated from April and May 2016, amounted in total to 10,311 thousand euros.

The item includes non-recurring costs for 2,641 thousand euros as discussed in Note 33.

22. PERSONNEL COSTS

Personnel costs break down as follows:

in thousands of euros	2016	2015	Change
Wages and salaries	268,254	235,520	32,734
Social security contributions	60,715	54,993	5,722
Remuneration of directors	8,989	7,581	1,408
Pensions - defined-benefit plans	1,178	845	333
Pensions - defined-contribution plans	11,928	10,954	974
Other personnel costs	20,425	19,559	866
Total	371,489	329,452	42,037

Personnel costs attributable to the companies belonging to the Medtech businesses and Telerobot S.p.A., consolidated from 2015, amount to 17,537 thousand euros and 1,826 thousand euros respectively.

The item includes non-recurring charges for 2,444 thousand euros (5,111 thousand euros in 2015) as commented in Note 33.

In addition, the higher level of costs compared with the prior year is mainly due to Italian labour costs, which, taking into account the major elements of remuneration, have increased by 4.49%, triggered by pay rises under the National Collective Bargaining Agreement for Metalworkers, pay rises under the Company Supplementary Agreement, as well as more overtime worked and the Group's bonus policy. Personnel costs have also risen in line with the increased number of employees and collaborators in the year.

The IMA Group employed 5,109 people on average during 2016, as analyzed below:

	2016	2015	Change
Managers	196	169	27
Office workers	3,362	3,093	269
Production workers	1,551	1,314	237
Total	5,109	4,576	533

Group employees at 31 December 2016 come to 5,249 (4,781 at 31 December 2015) of which 259 and 46 attributable to the newly acquired Medtech business and Telerobot S.p.A.

23. DEPRECIATION AND AMORTISATION EXPENSE

This item breaks down as follows:

in thousands of euros	2016	2015	Change
Depreciation of property, plant and equipment	11,687	9,748	1,939
Amortization of intangible assets	26,128	22,689	3,439
Provisions for bad debts	1,739	82	1,657
Total	39,554	32,519	7,035

The increase in depreciation and amortization mainly reflects the consolidation of the newly acquired Medtech business and of the Dairy&Food business for a full year compared with 10 months in 2015.

24. OTHER OPERATING COSTS

Other operating costs comprise:

in thousands of euros	2016	2015	Change
Capital losses on disposal of non-current assets	145	135	10
Property tax and other taxes	3,083	2,889	194
Out-of-period expenses	1,741	1,101	640
Membership fees	345	364	(19)
Penalties and charges on sales	861	37	824
Sundry promotional materials	262	279	(17)
Other operating costs	3,334	3,789	(455)
Total	9,771	8,594	1,177

Other operating costs include 458 thousand euros attributable to the Medtech business and to Telerobot S.p.A., which were consolidated from April and May 2016.

25. FINANCIAL INCOME

This item breaks down as follows:

in thousands of euros	2016	2015	Change
Income from exercise of the option of Dairy&Food business	18,699	–	18,699
Income from investments in joint ventures	–	16,055	(16,055)
Interest income from banks	281	265	16
Interest income on amounts due from customers	16	15	1
Income from corrent investments available for sale	32	453	(421)
Other interest and financial income	282	306	(24)
Income from derivative financial instruments	267	123	144
Exchange rate gains	16,659	19,108	(2,449)
Total	36,236	36,325	(89)

On 28 April 2016, the Parent Company signed an agreement with Lin Vermoegensverwaltung GmbH for the purchase of the remaining 20% interest in the Dairy&Food Group. The price paid was 4,000 thousand euros. The deal generated a financial income of 18,699 thousand euros and was completed following an agreement for the early exercise of the put&call option, originally scheduled for April 2017.

Income from investments in joint ventures for 2015 referred to the sale of the interest in CMH Srl by the parent company Sacmi Imola SC.

26. FINANCIAL EXPENSE

This item breaks down as follows:

in thousands of euros	2016	2015	Change
Interest expense on bank payables	4,533	5,611	(1,078)
Interest expense on bonds	5,844	5,744	100
Interest expense on discounting	187	312	(125)
Interest expense on finance leases	56	56	–
Net financial expense on defined-benefit plans	1,036	807	229
Various interest expense	483	302	181
Writedown of non-current assets available for sale	–	1,205	(1,205)
Expense on bank guarantees	783	739	44
Expense from derivative financial instruments	457	157	300
Other financial expense	279	494	(215)
Exchange rate losses	16,292	21,936	(5,644)
Total	29,950	37,363	(7,413)

The decrease in total interest expense is due to the lower level of debt during the year. In 2015 the writedown of non-current assets available for sale related to the investment in InterMedia Holding S.p.A. For further details, please read Note 5.

At 31 December 2016, exchange rate gains and losses included an unrealized gain of 7,366 thousand euros and an unrealized loss of 7,614 thousand euros (8,678 thousand euros and 10,447 thousand euros, respectively, in the previous year).

27. TAXES

This item is analyzed as follows:

in thousands of euros	2016	2015	Change
Taxes for the period:			
Current taxes	49,097	41,985	7,112
Net deferred tax assets and liabilities	(1,856)	(4,266)	2,410
	47,241	37,719	9,522
Prior year taxes	520	(463)	983
Total	47,761	37,256	10,505

The following table reconciles the tax charges with the book profits multiplied by the applicable tax rates:

in thousands of euros	2016	2015
Result before tax	149,153	115,092
Taxes determined on the tax rate applicable in each country	42,281	29,991
Income not subject to tax	(5,506)	(571)
Tax effect of non-deductible costs	2,620	2,684
IRAP	5,917	4,769
Reduction of "IRES" tax rate and other changes	1,929	846
Prior year taxes	520	(463)
Total	47,761	37,256

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

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:

	2016	2015
Net profit for the year (thousands of euros)	93,536	69,915
Average number of outstanding ordinary shares (thousands of shares)	38,463	37,234
Earning per share (in euros)	2.43	1.88

For the IMA Group, basic earnings per share and diluted earnings per share are the same, given the absence of instruments that might result in dilution.

29. BUSINESS COMBINATIONS

From 1 January 2016 the acquisition by Revisioni Industriali S.r.l. of the TEAMAC business came into effect. This is a company dedicated to the design, manufacture and marketing of automatic systems and machines for the packaging of tea products for a consideration of 3,000 thousand euros.

The main values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Total book values	Fair value
Property, plant and equipment and intangible assets	570	570
Inventories	2,377	2,377
Employee defined benefit liabilities	(513)	(513)
Trade and other payables	(183)	(183)
Total	2,251	2,251
Purchase cost		3,000
Goodwill		749

On 15 April 2016 GIMA S.p.A. and Packaging Systems Holdings Inc., subsidiaries of IMA, completed the acquisition from Komax Holding AG of the entire share capital of Komax Systems LCF SA and Komax Systems Rockford Inc., together with 76% of Komax Systems Malaysia Sdn. Bhd. The agreement also provides for an option to buy the other 24% of Komax Systems Malaysia, which can be exercised in 2018. The three companies are leaders in the design, production and commercialisation of machines for assembling medical products for self-medication (Medtech business).

Please note that Komax Systems LCF SA, Komax Systems Rockford Inc. and Komax Systems Malaysia Sdn. Bhd. have changed their names to IMA Medtech Switzerland SA, IMA Automation USA Inc. and IMA Automation Malaysia Sdn. Bhd., respectively.

The companies included in the scope of consolidation are as follows:

	Registered office	Percent of share
IMA Medtech Switzerland SA	La Chaux de Fonds (Switzerland)	100% (1)
IMA Automation USA Inc.	Loves Park - Illinois (USA)	100% (2)
IMA Automation Malaysia Sdn. Bhd.	Penang (Malaysia)	76% (1)

(1) Held by GIMA S.p.A.

(2) Held by Packaging Systems Holdings Inc.

The main provisional values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Total book values	Fair value
Property, plant and equipment	3,051	3,051
Intangible assets	377	4,602
Deferred tax assets	2,253	2,253
Inventories	1,402	1,402
Trade and other receivables	25,054	25,054
Cash and cash equivalents	6,208	6,208
Borrowings	(16,913)	(16,913)
Employee defined benefit liabilities	(2,657)	(2,657)
Provisions for risks and charges	(121)	(121)
Deferred tax liabilities	(150)	(953)
Trade and other payables	(15,875)	(15,875)
Total	2,629	6,051
Purchase cost		17,632
Goodwill		11,581

The acquisition cost includes the price paid, 10,313 thousand euros, and a contingent consideration of 8,000 thousand Swiss francs, of which 6,000 thousand by way of earn-out and 2,000 thousand for the option on the other 24% of IMA Automation Malaysia.

At 31 December 2016 the key figures of the newly acquired business, consolidated for 9 months, are as follows:

in thousands of euros	
Property, plant and equipment	3,017
Intangible assets	3,954
Goodwill	11,581
Inventories	2,567
Trade receivables	29,758
Cash and cash equivalents	1,691
Trade payables and advances	(12,248)
Revenues	61,714
Gross operating profit (EBITDA) before non-recurring items	5,135
Personnel cost	(17,537)

On 20 May 2016 GIMA S.p.A. completed the acquisition from the Xenon fund of 75% of Telerobot S.p.A., with operations based in Alessandria. The company is market leader in machines for assembling plastics in the field of caps and closures. The agreement includes an option to buy the other 25%, to be exercised by the date of approval of the financial statements at 31 December 2017.

The main provisional values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Total book values	Fair value
Property, plant and equipment	447	447
Intangible assets	769	–
Financial assets	909	909
Deferred tax assets	3,219	3,219
Inventories	3,202	3,202
Trade and other receivables	3,010	3,010
Cash and cash equivalents	1,099	1,099
Other net assets	153	153
Borrowings	(1,987)	(1,987)
Employee defined benefit liabilities	(1,095)	(1,095)
Provisions for risks and charges	(2,424)	(2,424)
Trade and other payables	(6,571)	(6,571)
Total	731	(38)
Purchase cost		4,875
Goodwill		4,913

The acquisition cost includes the amount paid (2,250 thousand euros) and the fair value of the option to purchase the residual 25% of the capital (2,625 thousand euros), discounted using the yield on a government security with the same maturity.

At 31 December 2016 the key figures of the newly acquired company, consolidated for 8 months, are as follows:

in thousands of euros	
Goodwill	4,913
Deferred tax assets	3,031
Inventories	3,092
Trade receivables	1,139
Cash and cash equivalents	1,804
Borrowings	(1,173)
Employee defined benefit liabilities	(1,049)
Provisions for risks and charges	(2,202)
Trade payables and advances	(4,487)
Revenues	6,361
Gross operating profit (EBITDA) before non-recurring items	950
Personnel cost	(1,826)

The initial values for the business combinations that took place during the year were determined on a provisional basis, as the fair value of the assets, liabilities, contingent liabilities and costs of the combinations have not yet been calculated on a definitive basis. As required by IFRS 3, any adjustments will be made within twelve months of the acquisition date. The amounts of goodwill recognized as part of the purchase price allocation process were subject to an impairment test without there being any need for adjustments.

2,039 thousand euros of ancillary charges related to the acquisitions were booked to the income statement under services, rentals and leases.

At 31 December 2016 the amount of the purchase price that has been paid, net of the cash acquired, amounts to 8,256 thousand euros.

30. GUARANTEES GRANTED

At 31 December 2016, the Group has given sureties and other bank guarantees to customers totalling 26,371 thousand euros for the proper operation of machinery, bid bonds and advances not yet received, sureties to guarantee rental contracts for 7,029 thousand euros, sureties in favour of the Tax Authorities for VAT credits for 1,721 thousand euros, sureties associated with the acquisition of the Medtech business and to the sale of CMH S.r.l. for 5,189 thousand euros and 3,500 thousand euros respectively and sureties in favour of others for 2,937 thousand euros.

The Parent Company has also given 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:

in thousands of euros	31.12.2016	31.12.2015
Subsidiaries:		
CO.MA.DI.S S.p.A.	89	89
Corazza S.p.A.	15,925	49,030
Erca S.A.	6,798	–
Fillshape S.r.l.	2,615	2,615
GASTI Verpackungsmaschinen GmbH	1,052	–
GIMA S.p.A.	32,600	11,150
GIMA TT S.p.A.	29,364	14,359
G.S. Coating Technologies S.r.l.	1,100	1,100
Hamba Filltec GmbH & Co. KG	2,503	–
Ilapak Inc.	4,269	4,133
Ilapak International SA	13,931	13,000
Ilapak Italia S.p.A.	5,607	6,887
Ilapak Ltd.	1,168	1,362
Ilapak Sp. Z o.o.	1,927	1,994
Ilapak Verpackungsmaschinen GmbH	2,300	–
IMA Automation Malaysia Sdn. Bhd.	19	n.a.
IMA Dairy & Food Holding GmbH	60,600	45,000
IMA EST GmbH	800	800
IMA Germany GmbH	–	1,000
IMA Life (Beijing) Pharm. Systems Co. Ltd.	6,831	7,081
IMA Life Japan KK	810	763
IMA Life North America Inc.	29,409	24,800
IMA Medtech Switzerland SA	15,830	n.a.
IMA Pacific Co. Ltd.	1,856	1,784
IMA-PG India Pvt Ltd.	3,774	2,763
Revisioni Industriali S.r.l.	1,025	1,025
Società del Sole S.r.l.	1,000	1,000
Shanghai Tianyan Pharmaceutical Machinery Co. Ltd.	751	779
Swiftpack Automation Ltd.	3,563	4,156
	247,516	196,670
Associates:		
Doo Officina-Game East Vrsac	959	541
Scriba Nanotecnologie S.r.l.	–	58
	959	599
Joint venture:		
CMRE S.r.l.	2,221	1,976
	2,221	1,976
Total	250,696	199,245

Guarantees totalling 25,000 thousand euros have also been given to leading banks in relation to the lines of credit shares by the Group's Italian subsidiaries.

Ilapak International SA has provided guarantees to third parties on behalf of Ilapak Verpackungsmaschinen GmbH for 2,100 thousand euros.

Lastly, note that sureties were issued against advances received from customers for a total of 146,668 thousand euros (102,863 thousand euros at 31 December 2015), of which 68,422 thousand euros reflect the use of credit lines guaranteed by commitments on the part of the Parent Company, as shown in the above table.

31. COMMITMENTS

At 31 December 2016 there are commitments for the purchase of property, plant and equipment and intangible assets of 1,554 thousand euros relating principally to leasehold improvements and plant and machinery.

The Group has outstanding commitments of 3,364 thousand euros (3,332 thousand euros at 31 December 2015) for future minimum payments under irrevocable operating leases relating primarily to plant, machinery and vehicles (expiring as to 1,654 thousand euros within one year, 1,710 thousand euros between one and five years) and commitments under rental contracts of 143,885 thousand euros (148,997 thousand euros at 31 December 2015), of which 18,592 thousand euros fall due within one year, 62,494 thousand euros between one and five years and 62,799 thousand euros over five years.

Fees paid during the year for operating lease contracts and rentals were 20,547 thousand euros (18,325 thousand euros in the previous year).

Other commitments in favour of third parties, 10,837 thousand euros, mainly consist of the Parent Company's agreement to buy further units of the mutual funds.

Lastly, note that in December 2016 IMA, through its subsidiary GIMA S.p.A., signed an agreement to buy 80% of Mapster S.r.l., which involves a financial contribution due at the time of the closing of 2.4 million euros. For further details, please refer to the section entitled "Scope of consolidation".

32. RELATED-PARTY TRANSACTIONS

In compliance with current Consob regulations on Related Party transactions, from 2010 IMA S.p.A. adopted procedures to be followed by IMA and its subsidiaries when carrying out transactions with parties related to IMA. For further information please read the Report on operations.

The Parent Company of the IMA Group is IMA Industria Macchine Automatiche S.p.A., which at 31 December 2016 is 57% owned by SO.FI.M.A. S.p.A. (60% at 31 December 2015), which is in turn controlled by Lopam Fin S.p.A.

The following companies form part of the domestic tax group: IMA S.p.A., CO.MA.DI.S. S.p.A., Corazza S.p.A., Packaging Manufacturing Industry S.r.l. and Revisioni Industriali S.r.l. as consolidated companies and SO.FI.M.A. S.p.A. as the consolidating company.

As described earlier, intra-group 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 intra-group 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.

Transactions with related parties are made at terms and conditions that are equivalent to normal market conditions.

The trade receivables and payables outstanding at year-end are not insured and do not bear interest.

The following table details the main transactions carried out with related parties:

in thousands of euros	Receivables at 31.12.2016	Receivables at 31.12.2015	Payables at 31.12.2016	Payables at 31.12.2015
Parent companies:				
Lopam Fin S.p.A.	–	–	56	–
SO.FI.MA. S.P.A.	3,643	3,643	4,642	2,929
	3,643	3,643	4,698	2,929
Associates and joint venture:				
Amherst Stainless Fabrication LLC	822	1,131	22	582
B.C. S.r.l.	2,385	2,052	1,206	653
Bacciottini F.lli S.r.l.	651	611	5,810	4,038
Bognesi S.r.l.	1,058	897	1,866	1,564
Brio Pharma Technologies Pvt. Ltd.	463	457	840	620
CMRE S.r.l.	5,653	7,094	–	–
Doo Officina-GAME East Vrsac	923	789	49	–
I.E.M.A. S.r.l.	3,672	895	17,012	11,262
LA.CO S.r.l.	811	702	3,956	3,127
Logimatic S.r.l.	7,130	6,582	22,662	12,525
Masterpiece S.r.l.	11	9	561	263
Meccanica Sarti S.r.l.	1,213	1,213	529	439
MORC 2 S.r.l.	1,550	1,436	1,306	1,202
Petroncini Impianti S.p.A.	2,022	n.a.	–	n.a.
Plasticenter S.r.l.	636	526	6,208	2,943
Powertransmission.it S.r.l.	146	123	431	226
Scriba Nanotecnologie S.r.l.	170	370	47	9
SIL.MAC. S.r.l.	1,983	976	6,977	3,441
S.I.Me. S.r.l.	371	416	637	348
STA.MA. S.r.l.	109	134	1,356	800
Talea S.r.l.	3,615	n.a.	3,342	n.a.
Other associates	73	68	82	72
	35,467	26,481	74,899	44,114
Other related parties:				
Banca di Bologna	462	384	–	–
Costal S.r.l.	–	–	823	482
Datalogic Automation S.r.l.	–	–	324	169
EPSOL S.r.l.	264	240	4,179	3,237
Ipercubo S.r.l.	93	93	–	–
Morosina S.p.A.	–	–	244	268
Poggi & Associati	312	159	280	322
Schiavina S.r.l.	311	342	–	–
Verniciatura Ozzanese S.r.l.	231	1	551	289
Other related parties	21	23	211	136
	1,694	1,242	6,612	4,903
Total	40,804	31,366	86,209	51,946

The following table details the main transactions carried out with related parties:

in thousands of euros	Revenues 2016	Revenues 2015	Costs 2016	Costs 2015
Associates and joint venture:				
Amherst Stainless Fabrication LLC	121	8	4,479	3,938
B.C. S.r.l.	333	275	4,997	4,812
Bacciottini F.lli S.r.l.	150	57	6,781	5,082
Bolognesi S.r.l.	144	172	5,479	4,118
Brio Pharma Technologies Pvt. Ltd.	6	58	1,364	939
CMFIMA S.r.l.	n.a.	752	n.a.	(3)
CMH S.r.l.	n.a.	-	n.a.	259
CMRE S.r.l.	-	-	68	(692)
Doo Officina-Game East Vrsac	-	-	503	351
I.E.M.A. S.r.l.	3,391	224	17,193	11,968
LA.CO S.r.l.	204	120	4,116	3,675
Logimatic S.r.l.	4,999	3,216	26,126	16,548
Masterpiece S.r.l.	2	10	648	459
Meccanica Sarti S.r.l.	-	22	678	627
MORC 2 S.r.l.	219	62	3,564	1,651
Plasticenter S.r.l.	146	110	5,656	3,657
Powertransmission.it S.r.l.	23	33	962	781
SIL.MAC. S.r.l.	1,619	666	7,608	3,703
S.I.Me. S.r.l.	-	301	1,358	385
STA.MA. S.r.l.	141	139	1,498	1,508
Talea S.r.l. (*)	1,423	n.a.	2,429	n.a.
Other Associates and joint venture	18	-	518	252
	12,939	6,225	96,025	64,018
Other related parties:				
Costal S.r.l.	-	-	1,443	900
Datalogic Automation S.r.l.	-	-	512	413
Galliani & Sistemi S.p.A.	-	-	2	120
EPSOL S.r.l.	707	550	4,019	3,951
Ipercubo S.r.l.	-	-	186	194
Lopam S.r.l.	-	-	516	380
Morosina S.p.A.	-	-	1,146	1,087
Nemo Investimenti S.r.l.	2	222	2,020	1,885
Verniciatura Ozzanese S.r.l.	2	1	657	497
Other related parties	17	17	391	314
	728	790	10,892	9,741
Total	13,667	7,015	106,917	73,759

(*) The amounts relate to the period July/December 2016

These transactions relate primarily to the Group's Italian companies.

Transactions with associates are largely of a commercial nature. See Note 4 for further information 4.

Relations with EPSOL S.r.l. relate to the design and production of plant for automated machines; the relations with Lopam S.r.l., Nemo Investimenti S.r.l. and Ipercubo S.r.l. (formerly Naturapack S.r.l.) essentially relate to the rental of real estate.

On 3 March 2016, IMA S.p.A. acquired a further 6.189% interest in GIMA TT S.p.A. for 12,378 thousand euros and now owns 70% of that company. Some of the parties to the transaction are related parties.

On 18 April 2016, IMA S.p.A. acquired from related parties a further 25% interest in GIMA S.p.A. for 21,698 thousand euros. Subsequently, on 12 December 2016 IMA SpA acquired the residual 1.5% from related parties for a consideration of 1,302 thousand euros, bringing the total ownership percentage to 100%.

In compliance with the requirements of the established procedure, the Parent Company informed the Related Party Transactions Committee, which commissioned an appraisal from an independent professional. On completion, the Committee expressed a positive opinion, having classified the transactions as "less relevant related party transactions".

The table below provides a summary of the balance sheet including transactions with related parties and the percentage impact:

in thousands of euros	Total at 31.12.2016	Of which related parties	% impact	Total at 31.12.2015	Of which related parties	% impact
Balance sheet:						
Tangible and intangible assets	420,948	1,490	0.4%	396,941	389	0.1%
Investments and financial assets	30,152	18,956	62.9%	26,943	15,612	57.9%
Other non-current assets	68,150	93	0.1%	56,471	93	0.2%
NON-CURRENT ASSETS	519,250	20,539	4.0%	480,355	16,094	3.4%
Trade and other receivables	359,421	14,500	4.0%	288,413	9,605	3.3%
Financial assets	9,567	1,660	17.4%	8,683	1,640	18.9%
Cash and cash equivalents	201,081	462	0.2%	156,078	384	0.2%
Income tax receivables	7,985	3,643	45.6%	7,681	3,643	47.4%
Other current assets	279,127	–	–	233,509	–	–
CURRENT ASSETS	857,181	20,265	2.4%	694,364	15,272	2.2%
TOTAL ASSETS	1,376,431	40,804	3.0%	1,174,719	31,366	2.7%
SHAREHOLDERS' EQUITY						
	270,184			175,779		
Borrowings	221,186	–	–	229,382	–	–
Other non-current liabilities	148,300	–	–	156,698	–	–
NON-CURRENT LIABILITIES	369,486	–	–	386,080	–	–
Borrowings	93,538	–	–	102,389	–	–
Trade and other payables	596,753	81,567	13.7%	472,508	49,017	10.4%
Income tax liabilities	14,418	4,642	32.2%	11,870	2,929	24.7%
Other current liabilities	32,052	–	–	26,093	–	–
CURRENT LIABILITIES	736,761	86,209	11.7%	612,860	51,946	8.5%
TOTAL LIABILITIES AND EQUITY	1,376,431	86,209	6.3%	1,174,719	51,946	4.4%

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

The table below provides a summary of the income statement including transactions with related parties and the percentage impact:

in thousands of euros	2016	Of which related parties	% impact	2015	Of which related parties	% impact
Income statement:						
Revenues	1,310,846	10,216	0.8%	1,109,537	4,683	0.4%
Other income	22,747	1,543	6.8%	19,973	1,069	5.4%
Cost of raw materials and goods	(520,625)	(70,642)	13.6%	(398,313)	(48,334)	12.1%
Cost of services and leases	(285,775)	(35,510)	12.4%	(239,470)	(24,381)	10.2%
Other operating costs	(385,852)	(404)	0.1%	(376,109)	(323)	0.1%
OPERATING PROFIT	141,341			115,618		
Net financial income	36,236	26	0.1%	36,325	31	0.1%
Net financial expense	(29,950)	(5)	–	(37,363)	(1)	–
FINANCIAL INCOME AND EXPENSE	6,286			(1,038)		
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD	1,526	1,526	100.0%	512	512	100.0%
Tax	(47,761)	–	–	(37,256)	–	–
NET PROFIT FOR THE YEAR	101,392			77,836		

The table does not include the remuneration paid to directors, statutory auditors and managers with strategic responsibilities, which are detailed in the following paragraph.

Note that during 2016 there were no "more relevant transactions", as defined in the Consob regulation, no individual Related Party transactions that could have had a significant influence over the companies' balance sheet or results and no changes or developments in Related Party transactions explained in the last annual report that could have had a significant influence over the companies' balance sheet or results.

Remuneration of Directors, Statutory Auditors and Managers with Strategic Responsibilities

We provide information concerning the remuneration paid, for any reason and in any form, to directors, statutory auditors of the Parent Company for carrying out their duties in other companies included in the consolidation:

in thousands of euros	2016	2015
Directors	9,244	8,104
Statutory Auditors	129	100
Total	9,373	8,204

The amount due to Directors includes fees for professional services as detailed in the Remuneration Report.

The following table reports the fees paid, for any reason and in any form, by the Company and by other Group companies to managers with strategic responsibilities:

in thousands of euros	2016	2015
Short-term benefits	3,655	3,668
Long-term benefits	900	900
Post-employment benefits	128	130
Fees for positions	6,856	6,086
Total	11,539	10,784

The managers with strategic responsibilities include three members of the Board of Directors.

The details of remuneration paid to directors, statutory auditors and managers with strategic responsibilities is shown in the Remuneration Report.

33. SIGNIFICANT NON-RECURRING TRANSACTIONS AND EVENTS

Consob Communication DEM/6064293 of 28 July 2006 requires disclosures on significant events and transactions that are not recurring; in other words, on transactions or events that do not occur in the ordinary course of business.

Non-recurring charges of the year are classified in Cost of raw, ancillary and consumable materials and goods for 840 thousand euros, in Personnel costs for 2,444 thousand euros and in Services, rentals and leases for 2,641 thousand euros. They are mainly attributable to the reorganisation of the Dairy&Food business and the acquisition of the Medtech and Telerobot businesses.

During 2015, non-recurring charges classified under personnel costs and under services, rentals and leases amounted to 5,111 thousand euros and 4,356 thousand euros respectively.

34. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

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

**35. SIGNIFICANT EVENTS
AFTER THE CLOSE
OF THE PERIOD**

On 4 January 2017 IMA SpA completed the closing for the purchase of a 70% stake in MAI SA, based in Argentina, which manufactures and sells machines for the packaging of tea and herbal teas in filter bags. The financial outlay amounts to 7.7 million US dollars, of which 5.7 million US dollars paid at the closing and the balance in three annual tranches. IMA has also been granted an option to buy 100%, which can be exercised in April 2021.

H) EQUITY INVESTMENTS INCLUDED IN THE SCOPE OF CONSOLIDATION AND METHOD USED

Companies consolidated line-by-line	Registered office		Share capital	Currency	Direct investment	Indirect investment
Industrial and service companies:						
- I.M.A. Industria Macchine Automatiche S.p.A.	Ozzano dell'Emilia	Bologna - Italy	20,415,200	EUR	Parent company	-
- CO.MA.DI.S. S.p.A.	Senago	Milan - Italy	1,540,000	EUR	100%	-
- Corazza S.p.A.	Bologna	Bologna - Italy	15,675,000	EUR	100%	-
- Fillshape S.r.l.	Zola Predosa	Bologna - Italy	100,000	EUR	-	80% (1)
- GIMA S.p.A.	Zola Predosa	Bologna - Italy	1,000,000	EUR	100.0%	-
- GIMA TT S.p.A.	Ozzano dell'Emilia	Bologna - Italy	110,000	EUR	70%	-
- G.S. Coating Technologies S.r.l.	Castel San Pietro T.	Bologna - Italy	100,000	EUR	100%	-
- Ilapak Italia S.p.A.	Foiano della Chiana	Arezzo - Italy	4,074,000	EUR	-	81% (2)
- Pharmasiena Service S.r.l.	Siena	Siena - Italy	100,000	EUR	70%	-
- Revisioni Industriali S.r.l.	Ozzano dell'Emilia	Bologna - Italy	100,000	EUR	-	100% (3)
- Teknoweb Converting S.r.l.	Palazzo Pignano	Cremona - Italy	1,000,000	EUR	100% (4)	-
- Telerobot S.p.A.	Genoa	Genoa - Italy	50,000	EUR	-	100% (1)
- Benhil GmbH	Neuss	Germany	5,500,000	EUR	-	100% (5)
- Delta Systems & Automation Inc.	Rogers	USA	1,000	USD	-	81% (6)
- Erca S.A.	Les Ulis	France	2,594,390	EUR	-	100% (5)
- Erca-Formseal Ibérica S.A.	Gavà Barcelona	Spain	60,101	EUR	-	100% (7)
- GASTI Verpackungsmaschinen GmbH	Schwaebisch Hall	Germany	25,000	EUR	-	100% (5)
- Hamba Filltec GmbH & Co. KG	Saarbrücken	Germany	1,700,000	EUR	-	100% (5)
- Hassia Packaging Pvt. Ltd.	Taluka Shirur Pune	India	42,000,000	INR	-	100% (5)
- Hassia Verpackungsmaschinen GmbH	Ranstadt	Germany	2,100,000	EUR	-	100% (8)
- Ilapak International SA	Collina d'Oro Lugano	Switzerland	4,000,000	CHF	-	81% (9)
- Ilapak (Beijing) Packaging Machinery Co. Ltd.	Beijing	PRC	3,000,000	USD	-	81% (10)
- IMA Automation Malaysia Sdn. Bhd.	Penang	Malaysia	3,000,000	MYR	-	100% (1)
- IMA Automation USA Inc.	Loves Park	USA	10,610,000	USD	-	100% (11)
- IMA Life (Beijing) Pharmaceutical Systems Co. Ltd.	Beijing	PRC	400,000	USD	100%	-
- IMA Life North America Inc.	Tonawanda	USA	100	USD	-	100% (11)
- IMA Life The Netherlands B.V.	Dongen	The Netherlands	22,382,654 (*)	EUR	100%	-
- IMA Medtech Switzerland SA	La Chaux de Fonds	Switzerland	13,250,000	CHF	-	100% (1)
- IMA North America Inc.	Leominster	USA	8,052,500	USD	-	100% (11)
- IMA-PG India Pvt. Ltd.	Mumbai	India	17,852,100 (*)	INR	100%	-
- Shanghai Tianyan Pharmaceutical Co. Ltd.	Shanghai	PRC	5,250,000	RMB	-	86.29% (12)
- Swiftpack Automation Ltd.	Alcester	UK	1,403,895	GBP	100%	-
- Tianjin IMA Machinery Co. Ltd.	Tianjin	PRC	200,000	USD	100%	-
Commercial companies:						
- Ilapak.AT Services GmbH (in liquidation)	Vienna	Austria	17,500 (*)	EUR	-	81% (2)
- Ilapak do Brasil Maquinas de embalagem Ltda.	Sao Paulo	Brazil	5,951,799	BRL	-	81% (9)
- Ilapak France SA	Lognes Paris	France	105,130	EUR	-	81% (2)
- Ilapak Inc.	Newtown	USA	12,500	USD	-	81% (2)
- Ilapak Israel Ltd.	Caesarea	Israel	5,310,505	ILS	-	81% (2)
- Ilapak Ltd.	Hayes London	UK	795,536	GBP	-	81% (2)
- Ilapak SNG OOO	Moscow	Russia	1,785,700	RUB	-	81% (2)
- Ilapak Sp. Z o.o.	Krakow	Poland	3,740,400	PLN	-	81% (2)
- Ilapak Verpackungsmaschinen GmbH	Haan Düsseldorf	Germany	102,500	EUR	-	81% (2)
- IMA Dairy & Food USA Inc.	Leominster	USA	1	USD	-	100% (5)
- IMA Est GmbH	Vienna	Austria	280,000	EUR	100%	-
- IMA France E.u.r.l.	Rueil Malmaison	France	45,735	EUR	100%	-
- IMA Fuda (Shanghai) Packaging Machinery Co. Ltd.	Shanghai	PRC	6,000,000	RMB	80%	-
- IMA Germany GmbH	Cologne	Germany	90,000	EUR	100%	-
- IMA Iberica Processing and Packaging S.L.	Barcelona	Spain	590,000	EUR	100%	-
- IMA Industries GmbH	Aschaffenburg	Germany	100,000	EUR	100%	-
- IMA Industries North America Inc.	Leominster	USA	100,000	USD	-	100% (11)
- IMA Life Japan KK	Tokyo	Japan	40,000,000	YEN	-	100% (13)
- IMA Pacific Co. Ltd.	Bangkok	Thailand	132,720,000	THB	99.99%	-
- IMA Packaging & Processing Equip. (Beijing) Co. Ltd.	Beijing	PRC	2,350,000	USD	100%	-
- IMA UK Ltd.	Alcester	UK	50,000	GBP	-	100% (14)
- Imautomatiche Do Brasil Ltda.	Sao Paulo	Brazil	6,651,550	BRL	99.98%	-
- OOO IMA Industries	Moscow	Russia	12,000,000	RUB	-	100% (3)
- Teknoweb N.A. LLC	Loganville Atlanta	USA	56,000	USD	-	75% (15)
- Teknoweb Suisse Sagl	Mendrisio	Switzerland	40,000	CHF	-	100% (16)

(*) The nominal share capital of IMA-PG India Pvt Ltd., IMA Life The Netherlands B.V. and Ilapak.AT Services GmbH amounts to Inr 20,000,000, Eur 45,400,000 and Eur 35,000 respectively.

Companies consolidated line-by-line (continued)	Registered office		Share capital	Currency	Direct investment	Indirect investment
Financial companies:						
- Packaging Systems Holdings Inc.	Wilmington	USA	1,000	USD	100%	-
- IMA Dairy & Food Holding GmbH	Stutensee	Germany	25,000	EUR	100%	-
- Tekno NA Inc	Atlanta	USA	50,000	USD	-	100% (16)
- Transworld Packaging Holding B.V.	Amsterdam	The Netherlands	3,241,661	EUR	81%	-
Other companies:						
- Digidoc S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	-	80% (17)
- Dreamer S.r.l.	Bologna	Bologna - Italy	100,000	EUR	-	90% (1)
- Hamba Verwaltungsgesellschaft mbH	Saarbrücken	Germany	25,000	EUR	-	100% (5)
- Ilapak China Ltd.	Hong Kong	PRC	13	USD	-	81% (2)
- Packaging Manufacturing Industry S.r.l.	Castenaso	Bologna - Italy	110,000	EUR	100%	-
- Società del Sole S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	100%	-

Notes:

- (1) Held by GIMA S.p.A. The percentage interest held in Telerobot S.p.A. and IMA Automation Malaysia Sdn. Bhd includes an option to purchase 25% and 24% of the quota capital respectively.
- (2) Held by Ilapak International SA at 100% except Ilapak France SA held at 99.99%
- (3) Held by Corazza S.p.A.
- (4) The percentage interest held in Teknoweb Converting S.r.l. includes an option to purchase 40% of the quota capital.
- (5) Held by IMA Dairy & Food Holding GmbH
- (6) Held by Ilapak Inc. at 100%
- (7) Held by Erca S.A.
- (8) Held by IMA Dairy & Food Holding GmbH at 94% and by IMA Germany GmbH at 6%
- (9) Held by Transworld Packaging Holding B.V. at 100%
- (10) Held by Ilapak Italia S.p.A. at 100%
- (11) Held by Packaging Systems Holdings Inc.
- (12) Held by IMA Life (Beijing) Ph. Systems Co. Ltd.
- (13) Held by IMA Life The Netherlands B.V.
- (14) Held by Swiftpack Automation Ltd.
- (15) Held by Tekno NA Inc. at 75%
- (16) Held by Teknoweb Converting S.r.l. at 100%
- (17) Held by Packaging Manufacturing Industry S.r.l.

Investments accounted for using the equity method	Registered office		Share capital	Currency	Direct investment
Industrial and service companies:					
- Amherst Stainless Fabrication LLC	Amherst NY	USA	1,100,000	USD	20% (1)
- B.C.S.r.l.	Imola	Bologna - Italy	36,400	EUR	30%
- Bacciotini F.lli S.r.l.	Oste Montemurlo	Prato - Italy	60,000	EUR	30% (2)
- Bolognesi S.r.l.	Dozza	Bologna - Italy	10,920	EUR	30% (2)
- Brio Pharma Technologies Pvt. Ltd.	Mumbai	India	1,000,000	INR	30%
- CMRE S.r.l.	Bologna	Bologna - Italy	50,000	EUR	50%
- Consorzio L.I.A.M.	Vignola	Modena - Italy	20,000 (3)	EUR	25%
- Doo Officina-Game East Vrsac	Vrsac	Serbia	130,474,863	RSD	49% (2)
- FID S.r.l. Impresa Sociale	Bologna	Bologna - Italy	20,000	EUR	30%
- I.E.M.A. S.r.l.	S.Giorgio di Piano	Bologna - Italy	100,000	EUR	30% (2)
- LA.CO S.r.l.	Ozzano dell'Emilia	Bologna - Italy	30,000	EUR	30% (2)
- Logimatic S.r.l.	Ozzano dell'Emilia	Bologna - Italy	100,000	EUR	35% (2)
- Masterpiece S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	30% (2)
- Meccanica Sarti S.r.l.	Bologna	Bologna - Italy	102,000	EUR	30% (2)
- MORC 2 S.r.l.	Castel Bolognese	Ravenna - Italy	20,800	EUR	20% (2)
- Petroncini Impianti S.p.A.	Modena	Modena - Italy	120,000	EUR	49% (4)
- Plasticenter S.r.l.	Granarolo dell'Emilia	Bologna - Italy	50,960	EUR	20% (2)
- Powertransmission.it S.r.l.	Castenaso	Bologna - Italy	50,000	EUR	20% (2)
- Scriba Nanotecnologie S.r.l.	Bologna	Bologna - Italy	25,556	EUR	24.9%
- SIL.MAC S.r.l.	Gaggio Montano	Bologna - Italy	90,000	EUR	30% (2)
- S.I.Me. S.r.l.	Granarolo dell'Emilia	Bologna - Italy	100,000	EUR	49% (2)
- STA.MA. S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,400	EUR	30% (2)
- Talea S.r.l.	Castel Guelfo	Bologna - Italy	25,000	EUR	20% (2)
- Sirio S.p.A. Associazione in partecipazione (4)	Milan	Milan - Italy			

Notes:

- (1) Held by IMA Life North America Inc.
- (2) Held by Packaging Manufacturing Industry S.r.l.
- (3) Shares in the consortium fund
- (4) Held by GIMA S.p.A.
- (5) Agreement signed in the last quarter of 2007 for the management of an aircraft

I) DISCLOSURE REQUIRED UNDER ARTICLE 149-DUODECIES OF THE CONSOB ISSUERS' REGULATION

The following table shows the amounts of audit fees and fees for other services rendered by the Independent Auditors in 2016; these refer to fees for the fairness opinion on the increase in share capital pursuant to article 2441, paragraph 4, of the Italian Civil Code, additional activities regarding verification of the opening balances of the Medtech business and Telerobot S.p.A. and tax advisory services and due diligence services:

in thousands of euros	Service rendered by	To	Fees
Audit	EY S.p.A.	Parent Company IMA S.p.A.	339
	EY S.p.A.	Subsidiary companies	457
	EY network	Subsidiary companies	276
Other services rendered in connection with the review	EY S.p.A.	Parent Company IMA S.p.A.	38
	EY S.p.A.	Subsidiary companies	60
	EY network	Subsidiary companies	203
Other services	EY network	Subsidiary companies	329
Total			1,702

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 2016.

It is also certified that:

1) the consolidated financial statements:

- a) have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;
- b) correspond to the entries in the accounting books and records;
- c) provide a true and fair view of the performance and financial position of the issuer and the companies included in the scope of consolidation.

2) the report on operations includes a reliable analysis of the business and the performance and financial position of the issuer and the companies included in the scope of the consolidation, together with a description of the risks and uncertainties to which they are exposed.

Ozzano dell'Emilia (Bologna), 14 March 2017

Managing Director
Alberto Vacchi

Manager responsible for preparing financial reports
Sergio Marzo

REPORT OF THE INDEPENDENT AUDITORS
AT 31 DECEMBER 2016

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



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INDEPENDENT AUDITOR'S REPORT
IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE
DECREE N. 39, DATED 27 JANUARY 2010
(Translation from the original Italian text)

To the Shareholders of
I.M.A. Industria Macchine Automatiche S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of I.M.A. Group, which comprise the statement of financial position as at 31 December 2016, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The Directors of I.M.A. Industria Macchine Automatiche S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 2.950.000,00 I.v.
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A member firm of Ernst & Young Global Limited



Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of I.M.A. Group as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated 28 February 2005.

Report on other legal and regulatory requirements

Opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and Ownership Structure with the consolidated financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements. The Directors of I.M.A. Industria Macchine Automatiche S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of I.M.A. Group as at 31 December 2016.

Bologna, 29 March 2017

EY S.p.A.
Signed by: Alberto Rosa, Partner

This report has been translated into the English language solely for the convenience of international readers.