

ANNUAL  
REPORT 2000



**CONSOLIDATED FINANCIAL STATEMENTS**

AS OF DECEMBER 31, 2000

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A. AND DUBSIDIARIES

## GROUP STRUCTURE BY ACTIVITY

### MANUFACTURING ACTIVITIES

**I.M.A.  
Industria Macchine Automatiche S.p.A.**  
Ozzano dell'Emilia  
Bologna (Italy)

**BFB S.p.A.**  
Bentivoglio  
Bologna (Italy)

**Libra s.r.l.**  
Ozzano dell'Emilia  
Bologna (Italy)

**GS Coating System s.r.l. (\*)**  
Ozzano dell'Emilia  
Bologna (Italy)

**B.C. s.r.l.**  
Imola – Bologna (Italy)

**Kilian GmbH & Co. KG**  
Cologne (Germany)

**Precision Gears Pvt Ltd.**  
Bombay (India)

**Precision Gears Pvt Ltd.**  
Bombay (India)

**Zibo IMA  
Xinhua Machinery  
Manufacturing Co. Ltd.**  
Zibo (CPR)

**Tianjin IMA  
Machinery Co. Ltd.**  
Tianjin (CPR)

**J.O.I. PACK Co. Ltd**  
Saitama (Japan)

### COMMERCIAL ACTIVITIES

**SOTECO Italia s.r.l. (\*)**  
Castenaso  
Bologna (Italy)

**IMA**  
Verpackungssysteme GmbH  
Viersen (Germany)

**I.M.A. Est  
Verpackungssysteme  
Handels GmbH**  
Wien (Austria)

**IMA France E.u.r.l.**  
Rueil-Malmaison (France)

**IMA UK Ltd**  
Wokingham (UK)

**IMAUTOMATICHE  
Maquinas de Embalagens Lda.**  
Madeira (Portugal)

**IMA Iberica  
Processing and Packaging SL**  
Barcelona (Spain)

**IMA North America Inc.**  
Fairfield (USA)

**Kilian & Co. Inc.**  
Horsham (USA)

**Value Machinery Inc.**  
Trenton (USA)

**IMA Far East Co. Ltd**  
Hong-Kong

**IMA Japan Co. Ltd**  
Yokohama (Japan)

**IMA Lanka Ltd**  
Colombo (Sri-Lanka)

### OTHER ACTIVITIES

**INFO AREA s.r.l.**  
Ozzano dell'Emilia  
Bologna (Italy)

**IGNITION TEAM s.r.l.**  
Castenaso  
Bologna (Italy)

**COMITEC s.r.l.**  
Castel S. Pietro Terme  
Bologna (Italy)

**Kilian Verwaltung GmbH**  
Cologne (Germany)

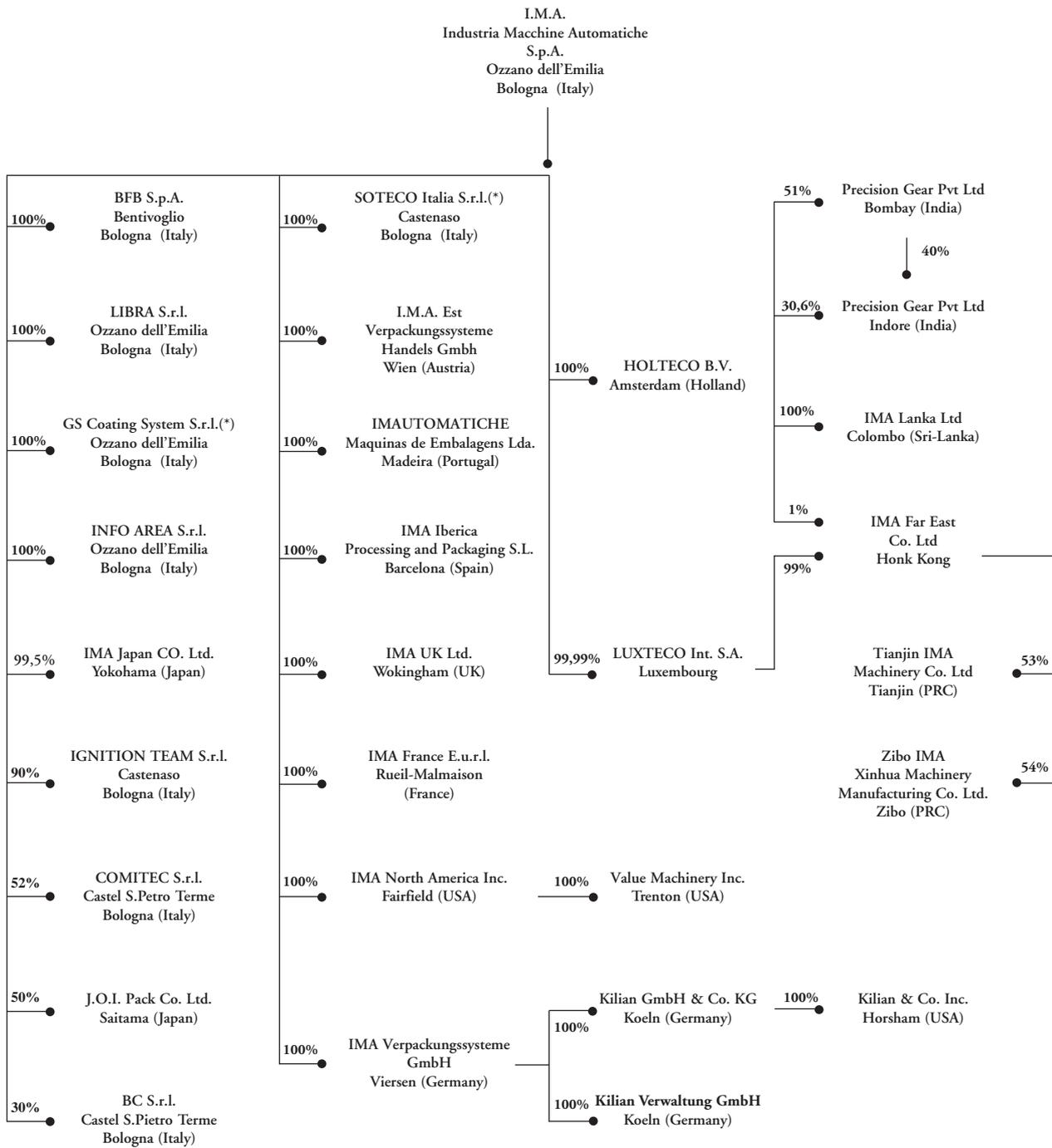
### FINANCIAL ACTIVITIES

**Luxteco International S.A.**  
Luxembourg

**HOLTECO B.V.**  
Amsterdam  
(The Netherlands)

(\*) Merged with IMA S.p.A. on January 2001

## THE GROUP STRUCTURE



(\*) Merged with IMA S.p.A. on January 2001

## TABLE OF CONTENTS

<b>OR REPORT ON OPERATIONS</b>	PAG.	<b>10 - 38</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2000</b>	“	<b>39 - 80</b>
BALANCE SHEET	PAG.	40 - 41
STATEMENT OF INCOME	“	42
EXPLANATORY NOTES:	“	43 - 80
• Activity of Group Companies	“	45
• Structure and content of consolidated financial statements	“	45
• Consolidation principles	“	45 - 46
• Consolidation area	“	46 - 48
• Reconciliation between the parent company statutory accounts and the consolidation accounts	“	49
• Valuation criteria	“	49 - 51
• Other information	“	52
• Comments on the main asset captions	“	53 - 60
• Comments on the main liability and stockholders' equity items	“	60 - 66
• Memorandum Accounts	“	66 - 67
• Comments on the main income statement balances	“	67 - 69
• Information required by Decree 5 of February 24, 1998	“	69 - 71
• Attachments	“	72 - 80
<b>REPORT OF THE INDEPENDENT AUDITORS</b>	“	<b>81 - 82</b>

## REPORT ON OPERATIONS

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2000 (TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

I . M . A . I N D U S T R I A M A C C H I N E A U T O M A T I C H E S . P . A .

**BOARD OF DIRECTORS**

(IN OFFICE UNTIL APPROVAL OF THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2002)

**CHAIRMAN**

*Marco Vacchi*

Powers: legal representation and signing powers in accordance with article 22 of the by-laws;

Delegated powers: ordinary administration, including banking operations up to a maximum value of Lire 10,000,000,000 (ten billion), except for the renewal of credit lines already granted to the Company that are freely renewable without any limit.

Delegation and appointment of special representatives for particular purposes.

**MANAGING DIRECTOR**

*Alberto Vacchi*

Offices: ordinary administration, including banking operations up to a maximum value of Lire 10,000,000,000 (ten billion), except for the renewal of credit lines already granted to the Company that are freely renewable without any limit. Delegation and appointment of special representatives for particular purposes.

**DIRECTORS**

*Andrea Malagoli*

*Italo Giorgio Minguzzi*

*Paolo Opromolla*

*Luca Poggi*

*Maria Carla Schiavina*

*Gianluca Vacchi*

*Stefano Visentini*

*Romano Volta*

## EXECUTIVE COMMITTEE

(IN OFFICE UNTIL APPROVAL OF THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2002)

The Executive Committee has powers of extraordinary administration provided they are not reserved to the Board of Directors by law and by the board resolution of October 13, 2000.

This resolution states that the Board of Directors has exclusive authority:

- to approve any transaction likely to have a significant impact on the Company's results, equity or financial situation and, in any case, any transaction that exceeds a value of Lire 10,000,000,000 (ten billion), except for the renewal of credit lines already granted to the Company, which can be delegated;
- to approve the Company's strategic, business and financial plans and any decision relating to the Group structure;
- to approve any related party transactions.

The Executive Committee can delegate and appoint special representatives for particular purposes.

### **CHAIRMAN**

*Marco Vacchi*

### **MEMBERS**

*Andrea Malagoli*

*Paolo Opromolla*

*Luca Poggi*

*Alberto Vacchi*

*Stefano Visentini*

## BOARD OF STATUTORY AUDITORS

(IN OFFICE UNTIL APRIL 27, 2001)

### **AUDITORS**

*Giorgio Comini Chairman*

*Amedeo Cazzola*

*Rocco Renzulli*

### **ALTERNATE AUDITORS**

*Federico Comini*

*Luigi Ghermandi*

## INDEPENDENT AUDITORS

*Arthur Andersen S.p.A.*

Shareholders,

This report accompanies the financial statements as at December 31, 2000 of the parent company, IMA S.p.A., which we submit for your examination and approval. For a better understanding of performance during the year we would like to begin with a description of the Group's results.

## OVERVIEW

Global GDP grew by 4.8% in 2000, compared with 3.3% in the prior year.

This economic boom has brought benefits for both industrialized and emerging countries. Conspicuous among the industrialized countries is the US growth rate, with a record 5% increase in GDP. This has been helped substantially by investments, above all in new technology, and string demand for consumer goods. GDP growth in Europe was also stronger compared with the prior year (+3.4%, up from 2.5% in 1999), benefiting from the consolidation of internal demand and from the weakness of the euro, which allowed a healthy expansion in exports. Economic activity in Japan, on the other hand, remains modest and gives no indication of being able to generate a recovery through its own resources.

Of the emerging countries, on the other hand, GDP growth was highest in those that produce raw materials, oil in particular. Of these, Russia is particularly noteworthy, with GDP growth of more than 6%. Countries in South-East Asia also performed well, though their growth rates were quite different in terms of intensity. In Latin America, the Brazilian economy developed positively, with industrial output rising at more than 5% per year, unemployment stably below 7%, and inflation and the public finances under control.

Positive growth in economic activity was accompanied by an increase in the volume of world trade, up 10%.

The outlook at the beginning of 2001 is more uncertain and less promising than at the beginning of 2000. While tensions on oil prices have been allayed, having been a source of considerable worry for many observers, great uncertainty regarding the slowdown of the US economy nevertheless remains. This slowdown is already evident from the figures, and the problem is now to distinguish whether these figures simply reflect what for some time has been considered the "soft landing", which one expects and hopes for the American economy, or whether they are the prelude to a more intense drop in growth rates, heralding a genuine recession. This last scenario, even if judged improbable, would cause serious consequences for world growth. Consequently, heavy shadows persist both over the Japanese economy, burdened by a public deficit of more than 130% of GDP and without strong political leadership, and over emerging countries such as Argentina, whose problems risk spreading into Brazil.

In this background, the Italian industry sector for automatic packing and packaging machinery in which IMA operates, registered 3.2% growth, with an increase in exports of 3.4%, according to estimates provided by UCIMA, the industry's trade association. Clearly, these aggregate figures cannot reflect the demand trends of specific segments since they include companies that cater for different industrial sectors. Some of them, tobacco machine manufacturers for example, have been going through a difficult period, while the pharmaceuticals sector has benefited from a far more buoyant market situation. Lastly, with exports counting for more than 93% of revenues, it is inappropriate to compare the Group's performance with that of other Italian companies whose export percentages are lower.

## GROUP PERFORMANCE

The following table sets out on a comparative basis the most significant information concerning the performance of the Group during 2000:

in millions of Lire	12.31.2000	12.31.1999	Change	%
• Revenues from sales and services	567,718	462,543	105,175	22.7
- of which abroad	529,309	419,447		
%	93.2%	90.7%		
• Operating income net of amortization of goodwill/consolidation differences	74,826	63,361	11,465	18.1
• Operating income	68,488	61,071	7,417	12.1
• Net income of Group	29,444	30,162	(718)	(2.4)
• Net income attributable to minority interests	1,140	853	287	33.6
• Amortization and depreciation	24,659	17,590	7,069	40.2
• Cash-flow (net income + amortization and depreciation)	54,103	47,752	6,351	13.3
• Research and development costs	34,487	24,783	9,704	39.1
• Capital expenditure	27,489	20,947	6,542	31.2
• Order book	272,791	212,953	59,838	28.1
<b>Employees</b>	<b>2,121</b>	<b>1,755</b>	<b>357</b>	<b>20.3</b>

*As of December 31, 2000 the change in contract work in progress has been classified under net sales in the statement of income presented according to international practice, whilst this item (amounting to Lire 9,373 million) had been classified under cost of sales in prior year. In the interest of comparability, the prior year figure has therefore been classified in the same way in the attached statement of income presented according to international practice. Moreover, the allocation of depreciation among the various items in the statement of income has been subject to an in-depth analysis in accordance with international practice and, as a result, the corresponding 1999 figures have been adjusted in line with the method of classifications used in 2000. The effects of this main reclassification on 1999 figure, if compared with that included in prior year statement of income presented according to international practice, have resulted in lower general and administrative costs of Lire 4,321 million, mainly due to the amortization of goodwill and differences of consolidation (amounting to Lire 2,290 million), which is now classified separately, and lower selling costs of Lire 624 million.*

The strong growth in revenues (+22.7% on 1999) also reflects the widening of the scope of consolidation in 2000, following the acquisition of the Germany company Kilian GmbH in January, the American company Value Machinery in July, and the acquisition in May of a division of G.S. S.r.l. Coating System, whose sales are therefore shown in the consolidated financial statements for only 7 months.

The 2000 has been marked by a decisive upturn in the Group's growth policy, which has included acquisitions and alliances - a course that IMA has pursued from its inception and which has brought it to its current position of global leadership in the sectors it represents. This revival follows a 3-year period (1997-1999) during which we had not considered it necessary to pursue a new acquisitions policy, preferring instead to concentrate our efforts and resources on strengthening and consolidating traditional areas of business, a practice we continued to implement effectively and with clear-sightedness, and which also led to us getting out of certain segments that we considered to have less potential.

The result of this was, firstly, a complete reshaping of the Group's organizational structure, creating divisions centered on our various product lines, which are entirely independent in their decision-making and operational activity; and secondly, considerable simplification of all internal procedures to boost the Group's overall efficiency and effectiveness.

At the same time, we invested heavily in research and development for new products so as to ensure a more rapid renewal of our catalogue and, in doing so, reaffirm our universally recognized technological superiority. This has resulted in an increase in R&D costs during the 3-year period of more than 30%, even starting from quite a high base.

These initiatives have led to strong recovery in profitability, as the improvement in the key financial indicators shows; at the same time, the Group's management team has also been reinforced. Both these factors were essential before we could

implement an incisive policy of external growth.

Our approach in applying this policy has been to look for companies in the same sector as ourselves, namely pharmaceuticals, but who sell complementary products. This means that the Group can expand its overall product range, emphasizing its ability to act as a “global provider” of solutions for the pharmaceuticals industry, while maximizing potential synergies both in marketing and in R&D.

Both Kilian and G.S. fit the bill perfectly.

Established more than 125 years ago, Kilian has built up a global leadership position in the compressing sector, beating its German, British, American and French competitors by developing innovative technological solutions. The capsule manufacturing process used in the Kilian machines is the traditional rotating type with the powder fed by gravity, a process introduced at the beginning of the 1900s and then continually refined. This remains the only process used by compressor manufacturers, with the exception of the Comprima line introduced by IMA in the second half of the 1990s. The Kilian system is satisfactory, and continues to meet the majority of the compressors’ manufacturing needs, both in the pharmaceuticals industry and in the other industries that use it (food, detergents, etc.). IMA’s Comprima line, on the other hand, has revolutionized the gravity feed concept, feeding the powder instead by centrifugal force, thus substantially reducing the risks of powder cross-contamination and pollution and, at the same time, allowing us to meet our customers’ most sophisticated needs. Nevertheless, it remains a product geared first and foremost to the high end of the market. For this reason, the two product lines complement each other perfectly and enable IMA to offer a wider range of solutions with respect to all other rival companies. The synergies that can be gained from Kilian’s merger with the IMA Group’s Solids Division are manifest. On the one hand, IMA’s long experience with the Comprima line regarding powder contamination enable us to adapt patented technological solutions to Kilian products. This was demonstrated in the new line presented by Kilian at the Interphex trade fair in Philadelphia which we have called *Synthesis*.

It represents the point of convergence and the distilled essence of the best technological solutions which have been developed by the respective project groups over many years of research. On the other hand, unifying the two sales networks will generate important benefits in terms of costs at the same time as increasing the effectiveness of our penetration into various world markets, as well as our after-sales service.

The acquisition of the division of G.S. Srl Coating System is of even greater strategic value. This company has been established for twenty years and, in that time, has earned itself a leading position in the *coating* sector (the segment dealing with capsule-coating) by virtue of an innovative process based on non-perforated basins. Inherent to the strategic value of this acquisition is the direction that the Group intends to pursue: to become the only real supplier of complete solutions of all the different phases of the capsule manufacturing process, from the initial processing of the powder to the packaging of the finished product. Through the acquisition of the G.S. S.r.l. division, we can now extend our operations to the final manufacturing phase of the capsules; however, research has already begun to find solutions for the initial processes and it is discussed in further detail below, we have recently acquired a business that specializes in powder-drying and grinding using an innovative process. These developments open up a huge market for the Group.

Our decision to invest in Solids (capsules and pills) reflects the pharmaceuticals industry’s growing tendency to manufacture these forms of drugs, and yet we have reason to believe that this segment of the market will demonstrate higher growth rates in the years to come than the already high figures predicted by the pharmaceuticals industry as a whole.

The integration of Kilian and G.S. with the IMA Group went ahead with great efficiency during 2000, and can now be considered complete. This was the main reason for the extraordinary reorganization expenses shown in the statement of income for Lire 2,982 billion; however, the impact of this reorganization on revenue recovery will already be felt in 2001.

As a comment on the Group’s overall results it should be said that, even though the demand trend was positive, the areas that previously made up the scope of consolidation perimeter, i.e. excluding Kilian, G.S. and Value Machinery, reported only moderate growth in sales (+ 3.4%) as many orders were placed too late to be carried out and invoiced by the year-end. Indeed, almost 50% of sales were concentrated in the last 3 months of the year.

The following describes in further detail the Group’s performance in the various operating sectors:

## PACKAGING OF TEA AND HERBS

World consumption of tea is for the most part static. At the same time, the habit of using teabags is growing, though at a slow rate. Estimates show that teabag usage represents no more than 20% of world consumption, with percentages as high as 80% in the West and as low as 10% in the East, where tea consumption is also by far the highest in the world. However, our most important market still consists of replacing obsolete machinery, very much reflecting the investment policies of a small number of large manufacturers, whose decisions come from a combination of research into higher productivity and marketing motivations (innovative packaging).

We estimate that in 2000 world sales for teabag-packaging machinery amounted to Lire 160 billion. With consolidated sales at Lire 90.1 billion, substantially unchanged with respect to 1999, IMA has consolidated its leading position, with a market share of 56%. In particular, there has been a positive sales trend in countries which are seeing a rapid shift to teabag use (Russia, Poland, Turkey), as well as in certain industrialized countries (Germany, Italy and Australia), where the launch of new products (green tea, herbal teas, new packaging) has prompted increased demand. Despite the recession, demand has risen in Japan too, stimulated by the positive reception of certain new models. Today the Japanese market represents 6% of the Division's sales and the increase in 2000 encourages us to hope that teabag usage there is also beginning to spread, opening up an enormous potential market as a result. The United States have seen a drop in sales, although important contracts have been signed for deliveries in 2002.

The Division's operating margin is slightly lower than in 1999, at 18.5% of sales. This reflects our strong commitment to the development of new products, which will result in the launch of four new models in 2001. R&D costs represented 9.6% of sales, as against 7% in 1999. We are convinced that our efforts in this area will be justified, not only because we would like to

reinforce our leadership position in the sector, but also because it may encourage the replacement of obsolete machinery with products that guarantee much higher productivity. Our performance in 2000 provides comfort that this policy is correct. By 2001, with certain new projects already completed, our R&D spending need not be so high.

#### PHARMACEUTICALS AND COSMETICS

Global drugs' sales by the pharmaceuticals industry totaled 317.2 billion dollars (+10% on 1999 at constant exchange rates), confirming a strong growth rate identical to that of 1999 (source – IMS Health). The more authoritative sector analysts foresee the continuation of this trend both in 2000 and in years to come. Growth affected all countries in differing degrees. North American markets, in particular, registered a 14% increase in sales, amounting to 152.8 billion dollars, which represents 48% of world sales of pharmaceuticals, followed by Europe with sales of 75.3 billion dollars (+8%) and Japan, which demonstrated a more moderate growth at 3%. Latin America also saw satisfactory sales growth (+9%), as did the rest of Asia, Africa and Australia (+10%).

IMA's sales revenues in the pharmaceuticals sector increased by 30.2% in 2000, amounting to Lire 459,118 million, as against Lire 352,760 million in 1999. Kilian and G.S. contributed Lire 88,360 million, while sales by the areas that made up the scope of consolidation in 1999 saw limited growth of 5.1%. This increase, which could have been greater, is attributable to the low number of orders outstanding at the beginning of the year together with the rate of new order acquisition during the course of 2000: while the trend was brisk, the orders arrived too late for completion before the year-end. The situation at the beginning of 2001 is a great deal more encouraging, as we will see.

More specifically, the Group's consolidated sales in the *blister pack* segment totaled Lire 118 billion, the same as 1999.

The Group's operations in this segment are represented by the *Blister Division*, which covers the medium/high and high-speed ends of the market, accounting for around 70% of total sales. 2000 confirmed the strong performance of the C80 model in the integrated version with the A81 box-packaging machine, its new reinforced construction generating greater profits and accounting, in part, for reduced sales of the C90. This prompted a drop in the Division's operating income, which will, however, be reabsorbed by 2001 with increased familiarity of use of the C80/A81. The Division has also been strongly committed to R&D, where costs represent 7% of sales. Results have showed not only in the strong improvements in performance in the C80/A81 line, but also in new innovative solutions in aluminium blister pack production, as well as in research in pharmaceuticals products and in blister-filling control systems that use telecameras. Considerable resources have also been allocated to developing a new high-speed line, which will be introduced in the latter part of 2001.

In the medium-speed segment the Group operates through its *Win.Pack Division*, whose new TR135 model with the A83 box-packaging machine has been received with resounding success on the market - well beyond our expectations. However, the modest order book at the beginning of the year, combined with late shipments of the new model, which commenced in July, have not allowed a significant growth in revenues, while the Division's operating results have reflected low profit margins on the TR135 and A83 models, as a result of initial inconsistency in manufacturing capacity. R&D activities have been directed towards both the completion of the TR135/A83 project and production of the integrated version of the TR135 and A83, the TA140, which was launched in the first few months of the year. The Division's R&D resources were also heavily involved in developing a complex line commissioned by a top multinational pharmaceuticals group, which then intends to reproduce this solution in various production sites around the world.

*Precision Gears Ltd. and Precision Gears Ltd. Indore*, the Group's Indian subsidiaries and part of the *Win.Pack Division*, enjoyed sales of L. 14 billion (+27% on 1999) due to the growing success of the TR100, and the new Rotovac line, which has been pitched at more price-sensitive markets.

The Group's *Solids Division*, which includes the newly acquired companies, Kilian and G.S., is responsible for the marketing and manufacture of capsules. G.S. was merged with IMA SpA at the beginning of 2001.

Sales in the *Casing Division* segment totaled 51.6 billion, as against 57 billion in 1999. It must be emphasized, however, that 1999 was a particularly profitable year thanks to a large order for machinery from a leading multinational group. The growth rate of the *health food* market might also be a contributing factor, particularly in the United States where, after years of growth at 10 to 15%, it now appears to be slowing down significantly. It was to increase our presence in this important segment that we introduced a new model, the new Impresa line, half way through the year, which has a very good price-performance ratio. The marketing of this product commenced in the first few months of 2001. As regards the *pharmaceuticals market*, capsule products represent 25% of the entire Solids division, with modest annual growth of 4-5%.

With the aim of stimulating the market for the replacement of old machinery, the new IMATIC product was developed and launched at the Achema trade fair in Frankfurt. This machine has been continuously improved since coming into production and has been received with great interest by all our customers. The *weighing-machine* line has dipped compared with 1999 (16 units shipped compared with 26 in 1999); however, the high number of outstanding orders for 2001, above all for compressing machines which IMA produces exclusively, would lead us to believe that this drop was a one-off episode.

Results for the *compressor* sector have been particularly satisfactory. Machinery sales in the Comprima series have almost doubled at Lire 26.5 billion, producing an important increase in profit margin, which is due to machines being heavily customized for use with highly toxic dust. We have reason to believe that the pharmaceuticals market might have finally accepted the Comprima series' innovative operating principle (outstanding orders at the end of February 2001 exceeded the entire sales figure in 2000) and the current direction of the pharmaceuticals industry, where toxic products and costly powders are on the increase, could give a further boost to machinery sales.

Kilian's performance has also been positive and the unsettled period during reorganization, which inevitably follows acquisition, has not affected sales and income unduly: sales have, in fact, registered an 11% increase, while operating income has reported a 23.3% increase. As it has been mentioned many times already, Kilian is heavily involved in renewing its product lines. The *coating sector*, in which G.S. operates, reported a 56% increase in sales with respect to 1999, and profit margins

improved dramatically, despite G.S.'s independent status during 2000. Total integration with the Solids Division, which took place in January 2001, will further enhance profit margins and with the greater volume of orders, we are looking forward to an excellent performance in 2001.

Consolidated sales in 2000 in the *Liquids and Powder Filling Division* increased by 14% compared with 1999, totaling Lire 83.7 billion. This is a particularly significant result given that sales figures were undermined by the costs of a long-term project commissioned by a leading North American company. This decrease has been more than compensated by increased sales in new models introduced in 1999 (F97 and F200), as well as by the sales of lines which incorporated the *Libra* and *BFB* machines. The Division's product range has been further enhanced by two new models of vacuum-filling machines for the medium-to-low segment, which are particularly suitable for perfumes and similar products. This model has produced significant sales results in the cosmetic sector, representing 30% of the Division's current sales, and has major growth potential for the future. At the same time, commencement of the product lines relating to the long-term project mentioned above will mean that our customers can launch products which will have been boxed in a sterile environment, in packaging which features a high degree of flexibility. This will create excellent future development prospects for the Division.

R&D has been involved in the preparation of new models which will be launched during 2001, extending further our product range in order to counter the exceptionally fierce competition in this segment of the market.

*Libra Srl* is a wholly owned subsidiary of IMA operating in the pharmaceuticals industry. Through its close collaboration with the *Liquids and Powders Filling Division*, 50% of its sales are generated through supplying systems for the manufacture of sterile products.

In 2000, *Libra's* sales totaled Lire 30,145 million, up 17.3% on 1999, with an operating income of 21.9% of sales (14.6% in 1999). The growing interest in sterilization tunnels and bottle-washing equipment manufactured by *Libra* would suggest that this encouraging trend is set to continue in 2001.

The IMA Group's products for the pharmaceuticals sector is completed by the *Casing* and *Line-End Divisions* which are run by the subsidiary *BFB S.p.A.*

Sales by the *Casing Division* totaled Lire 35 billion, a slight decrease (-2.4%) on 1999, owing to the fact that after the new A83 casing machine was introduced by the *Win.Pack Division*, its range was predominantly geared to the market outside blister packing, where it recorded good results. 2000 also saw unsatisfactory results in the Division's profit margins, with an operating result close to breakeven.

The Division's operations, however, are still in line with the strategic plan formulated at the beginning of 1999, when this sector embarked on a program of complete reorganization, which would see a revival in income from 2001 onwards together with the launch of new product lines. The two new casing machines A250 and *Flexa*, in particular, are generating increased interest on the market, while other important innovations will be introduced in the next few months.

The greater volume of orders at the beginning of the year, which exceeds the entire 2000 sales figure, shows us that we have made the right choices, and we are convinced that, in years to come, this Division will contribute substantially to the Group's development and profitability.

The *Line-end Division* performed well, with 5% growth in sales and an increase in operating income of 28.1% with respect to 1999.

#### OTHER SECTORS

This heading covers sectors other than those identified above (tea and pharmaceuticals/cosmetics). It has traditionally featured the *line-end* products made by *BFB*, even though compressor manufacturers, in particular *Kilian*, are becoming increasingly important. Sales in 2000 totaled Lire 18.6 billion, as against Lire 20.3 billion in 1999.

We shall now examine the key figures shown in the statement of income, prepared in accordance with international practice and attached to this report.

## NET REVENUES

Consolidated net revenues totaled Lire 567,718 million, up from Lire 462,543 million in 1999 (+22.7%). This growth was exclusively due to the pharmaceuticals/cosmetics sector, as explained earlier.

Revenues are broken down below by area of business:

in millions of lire	12.31.2000	%	12.31.1999	%	Change %
• Tea, herbs and coffee packaging	90,042	15.9	89,502	19.3	0.6
• Pharmaceuticals and cosmetics	459,118	80.9	352,760	76.3	30.2
• Other	18,558	3.2	20,281	4.4	-8.5
<b>Total</b>	<b>567,718</b>	<b>100.0</b>	<b>462,543</b>	<b>100.0</b>	<b>22.7</b>

The analysis by geographical area is as follows:

in millions of lire	12.31.2000	%	12.31.1999	%	Change %
• E.U. (excluding Italy)	185,144	32.6	178,070	38.5	3.9
• Other European countries	50,514	8.9	29,604	6.4	70.6
• North America	108,743	19.2	93,455	20.2	16.6
• Asia (excluding Japan)	67,477	11.9	36,101	7.8	86.9
• Japan	12,181	2.1	7,716	1.7	57.8
• Other countries	105,250	18.5	74,501	16.1	41.3
Total exports	529,309	93.2	419,447	90.7	26.2
• Italy	38,409	6.8	43,096	9.3	-10.9
<b>Total revenues</b>	<b>567,718</b>	<b>100.0</b>	<b>462,543</b>	<b>100.0</b>	<b>22.7</b>

This increase in revenues is mainly due to the Group's export activity, representing 93% of overall sales, with increases in all of the Group's markets.

Despite the acquisition of Kilian and G.S., sales in E.U. countries have grown modestly after a sharp dip in sales in the U.K., Ireland and, to a lesser extent, in France. We believe that this slowdown, which is already reversed, can be attributed to the significant downsizing in the British pharmaceuticals industry, as well as, in part, the coming to an end of a phase of investments when various companies set up plants in Ireland.

Overall sales trends in North America for both Kilian and IMA have been positive, particularly in the pharmaceuticals industry, while demand for tea-packaging machinery has been down, as mentioned previously.

Countries in Asia have benefited from a strong upturn in investments, after the slump following the crisis that hit them at the end of 1998. We have also reported strong sales growth in China, generating exciting prospects for 2001. There have been excellent performances in Central South America, particularly in Brazil and Mexico. Central Eastern Europe has also experienced a brisk uptake in orders, especially in Russia.

## ORDER BOOK

The Group's order book totaled Lire 272,791 million as of December 31, 2000, an increase of 28.1% with respect to the end of 1999 (Lire 212,953 million).

The analysis by sector is as follows:

• Packaging of tea & herbs	Lire/million	67,044	(1999: Lire/million	58,149)
• Pharmaceuticals	Lire/million	197,854	(1999: Lire/million	147,990)
• Other sectors	Lire/million	7,893	(1999: Lire/million	6,814)

The order book at the end of 1999 does not express the trend in sales anticipated in the prior year's financial statements, because the criterion by which future orders are calculated has been modified. This has entailed excluding an option to buy on tea-bagging machinery worth Lire 15,567 million, which is still valid but does not constitute a definite order.

Orders increased by 11.2% based on the same scope of consolidation; Kilian's order book amounted to Lire 20,162 million at the end of the year (+20% on 1999) while that of G.S. totaled Lire 15,777 million (+57% on 1999). This reflects our sales network's strong drive to develop these new activities.

## OPERATING INCOME

The Group has continued to implement a strict provisioning policy, despite the low risk profile in recent years for both bad debts and obsolete stock. Operating income, net of depreciation and amortization of tangible and intangible fixed assets but gross of amortization of goodwill on acquired companies (EBITA), totaled Lire 74,826 million, a 18.1% increase on 1999 (Lire 63,361 million). The percentage on sales is 13.1% (13.6% in 1999).

It is a very encouraging result when taking into consideration not only the reduced sales in the tea sector, where margins are high, as a fraction of overall sales (down from 19.3% to 15.9%), but also the smaller profit margins currently realized by Kilian, compared with average profit margins in the IMA companies operating in the pharmaceuticals segment.

We would also like to point out that even though the strong imbalance in sales during the course of the year, with 50% of sales concentrated in the last three months, undoubtedly led to less efficiency in the use of production capacity, the industrial margin has stayed at the same level as a percentage of sales as last year (46.5% in 2000 as against 46.8% in 1999).

In 2001 R&D costs will not undergo significant changes, while general, administrative and sales' expenses will be able to benefit from reorganizations resulting from company mergers. This, together with the above consideration, contributes to good forecast growth in EBITA as a percentage of sales and, even more important, an increase in absolute value in relation to anticipated sales.

Operating income net of amortization on goodwill totaled Lire 68,488 million (Lire 61,071 million in 1999).

## FINANCIAL EXPENSE

Net financial expense totaled Lire 10,083 million, compared with Lire 7,547 million as of December 31, 1999. The rise is attributable to both the average increase in borrowing costs and increased interest rates. The first component, whose effect amounts to Lire 3,921 million, is explained by the Group's acquisitions policy during 2000, discussed extensively in the first part of our report.

As regards our consolidated net financial position during the year, borrowing costs associated with acquisitions totaled 97,938 million.

Interest rates during 2000 reported a general increase with respect to both the euro and the US dollar, which represent 95% of borrowings. Interest rates on both currencies went up by about one percentage point.

Net exchange losses included in financial expense do not differ substantially from the 1999 figures: Lire 2,262 million in 2000 compared with Lire 2,613 million in 1999.

## NET INCOME

The year closed at December 31, 2000 with consolidated net income of Lire 29,444 million (Lire 30,162 million in 1999). The slight decrease reflects the extraordinary expense of Lire 2,982 million, compared with Lire 1,693 million for 1999, putting the net income for 2000 in a more positive light. In addition, a higher tax burden was incurred compared with 1999.

## RESEARCH AND DEVELOPMENT

R&D expenditure during 2000 totaled Lire 34,487 million (1999: Lire 24,783 million), representing 6% of revenues as against 5.3% in the prior year. The full amount was charged to the statement of income for the year. This amount refers only to costs for developing new products or for updating the technology of products already in distribution; it does not include the costs for developing products commissioned by specific customers or for product customization, both of which are included in cost of sales as they are billed directly to the customers.

The Group has always given considerable importance to R&D, as it has given IMA a strong competitive edge over the years. This has involved all the Divisions, as referred to previously, with the launch in 2000 of important innovations at the Achema trade fair in Frankfurt. Our commitment in this area will continue in the current year, the objective being to continually renew and expand our products across the whole range.

## CAPITAL EXPENDITURE

Capital expenditure in 2000 totaled Lire 21,590 million (Lire 13,804 million in 1999). Primary commitments have been the construction of a new warehouse with equipment for IMA S.p.A., building restructuring work, expansion of workshop facilities, and enhancement of networks used by management information systems and computer-aided design systems.

## EMPLOYEES

The average number of personnel in 2000 was 2,121 compared with 1,755 in 1999. As of December 31, 2000 the Group employed 2,166 persons, as against 1,813 at the end of 1999. The geographical breakdown of employees was as follows:

	12.31.2000	12.31.1999	Change
- Italy	1,389	1,300	89
- India	355	341	14
- Germany	254	22	232
- USA	46	31	15
- China	33	35	(2)
- U.K.	31	30	1
- France	26	25	1
- Eastern Europa	20	19	1
- Japan	10	9	1
- Portugal	2	1	1
<b>Total</b>	<b>2,166</b>	<b>1,813</b>	<b>353</b>

After acquisitions, the number of personnel increased by 264 at December 31, 2000.

## HUMAN RESOURCE POLICY, INDUSTRIAL RELATIONS AND TRAINING

The IMA Group's policy for the management of human resources places high priority on keeping personnel involved, instilling a sense of responsibility, making the most of qualifications and skills, and developing staff potential. Awareness of the central role of human resources in implementing strategic objectives plays a crucial part in the corporate culture of the Group, whose success depends on the contribution that each employee is able to make, both individually and through their work as part of a team.

A program to rationalize the Group's organizational structures has been implemented. This has involved streamlining the decision-making process, downwardly delegating responsibility and gradually decentralizing certain functions, which were previously carried out by head office, towards the divisions. These steps are consistent with the Group's new structure.

Such complex organizational changes have involved modifying the roles and expertise of the employees concerned. To this end, we have continued to invest heavily not only in technical training, to develop employee qualifications and encourage a positive attitude towards bettering company results, but also in the management of employee skills evaluation procedures in the context of a progressive business environment.

More than 800 employees took part in Group training programs totaling more than 7,000 hours. These were aimed at both expanding technical and professional knowledge and supporting the process of change to maintain consolidation and develop company growth.

Industrial relations during the year were constructive, featuring an absence of significant conflict and allowing us to manage employer/employee relations whilst taking advantage of instruments and opportunities for development and growth.

In November, an important agreement was reached with the union representatives, which will enable workshop equipment to be used more efficiently while maintaining high levels of flexibility. This is essential in areas of business where the volumes of manufactured goods fluctuate considerably. The agreement will allow us to invest more widely in this area at the same as increasing production volume.

## BALANCE SHEET

This table summarizes the changes between years in the Group's balance sheet (in millions of lire).

	12.31.2000	12.31.1999	Change
• Trade receivables, net	175,874	169,164	6,710
• Other receivables	31,487	24,694	6,793
• Inventories	162,552	134,996	27,556
• Short-term non-financial payables	(216,617)	(156,939)	(59,677)
<b>A) Operating capital</b>	<b>153,296</b>	<b>171,915</b>	<b>(18,618)</b>
• Receivables due beyond 12 months	12,818	3,230	9,588
• Equity investments and financial fixed assets	16,227	4,100	12,127
• Tangible fixed assets, net	76,932	64,185	12,747
• Intangible fixed assets	89,384	24,277	65,107
<b>B) Fixed assets, net</b>	<b>195,361</b>	<b>95,792</b>	<b>99,569</b>
<b>C) Reserves and M/L-T non-financial payables</b>	<b>(40,328)</b>	<b>(35,231)</b>	<b>(5,097)</b>
<b>A+B-C = Net capital employed</b>	<b>308,329</b>	<b>232,476</b>	<b>75,854</b>
<b>FINANCED BY:</b>			
<b>D) Net financial indebtedness</b>	<b>139,406</b>	<b>80,725</b>	<b>58,681</b>
<b>E) Minority interests</b>	<b>5,130</b>	<b>4,227</b>	<b>903</b>
<b>F) Stockholders' equity</b>	<b>163,793</b>	<b>147,524</b>	<b>16,270</b>
<b>D+E+F = Total financial payables and stockholders' equity</b>	<b>308,329</b>	<b>232,476</b>	<b>75,854</b>

Operating capital has decreased by more than Lire 18 billion despite the wider scope of consolidation (Lire -39 billion based on the same scope). This result is particularly significant because it reflects our efforts to reduce working capital.

The substantial increase in fixed assets denotes the goodwill and consolidation differences arising from the Group's acquisitions, as well as the construction of a new warehouse for IMA S.p.A.

The increase in borrowing is due entirely to the implementation of our acquisitions policy, as, based on the same scope of consolidation, the net financial position has increased by Lire 39,257 million, as shown in the following schedule:

• Borrowing at 12.31.2000	Lire	139,406	million
• Borrowing for acquisitions	Lire	(60,810)	million
• Borrowing acquired with Kilian	Lire	(18,689)	million
• Borrowing acquired with G.S.	Lire	(19,174)	million
• Liquid assets acquired with Value Machinery	Lire	735	million
Borrowing at 12.31.2000 excluding the effect of acquisitions	Lire	41,468	million
Borrowing at 12.31.1999	Lire	80,725	million
Difference	Lire	39,257	million

## INTERCOMPANY TRANSACTIONS

IMA S.p.A. is owned 51% by Fin Vacchi S.p.A., itself a subsidiary of Lopam Fin S.p.A. As mentioned in the notes, there were no dealings of any significance with Fin Vacchi S.p.A. in 1999.

IMA mainly has dealings of a commercial nature with the Group's manufacturing companies, namely the buying and selling of machines required for the assembly of complete product lines, as well as administrative services.

The parent company's dealings with the Group's marketing companies relate to the sale and distribution, to the related customer service activities in their respective territories for products manufactured by the IMA divisions. IMA's manufacturing subsidiaries have similar relationships with the marketing companies.

Details of the Group's dealings with both its subsidiaries and related companies are discussed in the notes accompanying the financial statements. "Related companies" are defined by companies whose type of business is similar to that of the parent company and of the Group.

The sub-holding companies hold the Group's interests in certain foreign companies, and have dealings of a financial nature with them.

Service companies have been formed as a result of the outsourcing of non-strategic activities. They provide services mainly for the Group, but also for other companies as well.

To summarize, the parent company IMA manufactures packaging and filling equipment for the tea and pharmaceuticals sectors, supplementing its range with line-end machines produced by its manufacturing subsidiaries. The entire product range is sold via the marketing companies, which also provide customer service in their various territories; sales in territories not covered by Group companies are made through an extensive network of agents.

The activities of the various Group companies are outlined below:

### MANUFACTURING COMPANIES

- BFB S.p.A., registered office at Bentivoglio (Bologna), wholly owned by IMA S.p.A.: manufactures line-end machines with applications in various sectors.
- Libra S.r.l., registered office at Calenzano (Florence), wholly owned by IMA S.p.A.: manufactures line-end machines for use in sterile environments. These machines are used in the pharmaceuticals and cosmetics industries.

- Precision Gears Pvt. Ltd. (Bombay) and Precision Gears Pvt. Ltd. (Indore): both manufacture blister-pack machines suitable for markets in developing countries.
- J.O.I. Pack Co. Ltd., registered office at Saitama (Japan), joint-venture company owned 50% by IMA S.p.A.: established to develop a blister-pack machine targeting the pharmaceuticals industry in Japan. Currently dormant.
- B.C. S.r.l., registered office in Imola (Bologna), IMA S.p.A. interest 30%: manufactures mechanical components for customers within and outside the IMA Group.
- Zibo IMA Xinhua Machinery Manufacturing Co. Ltd., registered office at Zibo (China), owned 54% by IMA Far East Co. Ltd.: assembles machines for the pharmaceuticals sector.
- Tianjin IMA Machinery Co. Ltd., registered office at Tianjin (China), owned 53% by IMA Far East Co. Ltd.: provides customer service in China.
- GS Coating System s.r.l., registered office in Ozzano dell'Emilia (Bologna), wholly owned by IMA S.p.A.: acquisition of a business division, which produces pill and capsule-coating machines suitable for the pharmaceutical, chemical and food sectors, was formalized in May 2000. In January 2001, G.S. was merged with the parent company IMA S.p.A.
- Kilian Co. KG, registered office in Cologne (Germany), wholly owned by IMA Verpackungssysteme GmbH: bought at the beginning of 2000, the company manufactures compressing machines for the pharmaceuticals and chemical sectors.

#### MARKETING COMPANIES

IMA S.p.A. wholly owns, directly or indirectly, nearly all the marketing companies listed below. They market the equipment manufactured by Group companies and external parties, and provide the related customer service in their respective territories.

- Soteco Italia S.r.l., registered office at Castenaso (Bologna).
- IMA North America Inc., registered office at Fairfield (USA): started integration with Kilian Inc. which will reduce overall costs.
- IMA France E.u.r.l., registered office at Rueil-Malmaison (France).
- IMA Verpackungssysteme GmbH, registered office at Viersen (Germany): during 2000, it has been transferred to the offices of Kilian GmbH & Co. KG in Cologne and the administration for both companies was centralized. The benefits of this will emerge in the next financial statement.
- IMA UK Ltd., registered office at Wokingham (UK).
- IMA Est Verpackungssysteme Handelsgesellschaft mbH, registered office in Vienna, Austria: the negative result is due exclusively to the slide in shipment of two important lines, as a consequence of which no accounting of the relative commissions has been made. Sales performance in countries of export, particularly Russia, indicate a better result for the current year.
- IMA Far East Co. Ltd., registered office in Hong Kong: despite the negative result in 1999, the brisk influx of new orders will produce a significant improvement in results.
- Imautomatiche Lda., registered office in Madeira (Portugal): began to operate in 1998 as a dealer for the Group's products in the whole South America.
- IMA Lanka Ltd., registered office in Colombo (Sri-Lanka): began to operate in 2000 providing customer services and selling replacement parts for tea-bagging machines.
- IMA Iberica Processing and Packaging S.L., registered office in Barcelona (Spain), wholly owned by IMA S.p.A.: formed in December 2000, this company sells the Group's products in Spain. Revenues are expected in 2001.
- IMA Japan Co. Ltd., 99.5% directly owned by IMA S.p.A.: formed in December 2000 to represent IMA S.p.A.'s division in Japan, which markets and sells the Group's products.
- Kilian & Co. Inc., registered office in Horsham, Pennsylvania, USA.
- Value Machinery Inc., registered office in Trenton, New Jersey, USA, wholly owned by IMA North America Inc.: specialized in the supply of cotton thread used in teabags.

## SUB-HOLDING COMPANIES

- *Luxteco International S.A.*, registered office in Luxembourg, owned 99.99% by IMA S.p.A.: has financial dealings with certain foreign marketing companies; holds a 99% interest in both Abay Ltd. and IMA Far East Co. Ltd. This company reflects the negative performance of IMA Far East Ltd. and has adjusted its shareholding to the value of its net equity.
- *Holteco BV*, registered office in Amsterdam (Netherlands), wholly owned directly by IMA S.p.A.: parent company of Precision Gears Pvt. Ltd., Bombay: the company wholly owns IMA Lanka Ltd.

## OTHER COMPANIES

- *Ignition Team S.r.l.* registered office at Castenaso (Bologna), 90% owned directly by IMA S.p.A.: provides public relations and advertising services for Group and other companies, at market rates.
- *Abay Ltd.*, registered office at Tortola (British Virgin Islands), wholly owned indirectly by IMA S.p.A.: in liquidation.
- *Infoarea S.r.l.*, registered office at Ozzano E. (Bologna), wholly owned by IMA S.p.A.: specialized in the supply of goods and services in the computer sector. Business is conducted with Group companies at market rates, and also with outside parties.
- *Comitec S.r.l.*, registered office at Castel S. Pietro Terme (Bologna), 52% owned by IMA S.p.A.: provides technical design and drawing services to Group companies. It was formed during 1999 in partnership with persons of proven expertise in the sector.
- *Kilian Verwaltung GmbH*, wholly owned by IMA Verpackungssysteme GmbH.: performs administrative functions for the Group's German companies.

The following table summarizes the 2000 financial statements of the individual Group companies, as approved by their Boards of Directors. Statement of income items have been translated at average exchange rates and balance sheet items at year-end exchange rates.

### SUMMARIZED FINANCIAL STATEMENTS OF COMPANIES IN THE IMA GROUP AS OF DECEMBER 31, 2000

Statement of income (in millions of lire)	MANUFACTURING COMPANIES							
	IMA S.p.A.	B.F.B. S.p.A.	Libra P.T. S.r.l.	P.G. Indore	P.G. Bombay	GS S.r.l.	Tianjin IMA	ZIBO IMA
Net revenues	344,410	88,660	30,145	2,664	11,274	22,489	673	2,556
Operating costs	305,418	80,041	23,547	2,422	10,205	18,119	604	2,332
Operating income	38,992	8,619	6,598	242	1,069	4,370	69	224
Other income (charges)	1,097	(2,769)	(124)	(80)	(93)	(1,326)	4	28
Results before taxes	40,089	5,850	6,474	162	976	3,044	73	252
Taxes for the year	15,895	3,597	2,819	44	216	1,167	18	17
<b>Net income</b>	<b>24,194</b>	<b>2,253</b>	<b>3,655</b>	<b>118</b>	<b>760</b>	<b>1,877</b>	<b>55</b>	<b>235</b>

Balance sheet (in millions of lire)	MANUFACTURING COMPANIES							
	IMA S.p.A.	B.F.B. S.p.A.	Libra P.T. S.r.l.	P.G. Indore	P.G. Bombay	GS S.r.l.	Tianjin IMA	ZIBO IMA
Assets:								
• Current	217,703	44,615	17,646	818	5,971	16,308	496	1,558
• Inventories, net	101,090	23,519	4,734	969	3,116	3,246	122	121
• Fixed assets	138,472	9,796	1,994	762	2,631	22,175	22	1,137
<b>Total</b>	<b>457,265</b>	<b>77,930</b>	<b>24,374</b>	<b>2,549</b>	<b>11,718</b>	<b>41,729</b>	<b>640</b>	<b>2,816</b>
Liabilities:								
• Current	230,451	61,337	14,939	1,210	5,638	12,570	178	835
• Med/long-term	94,954	7,986	1,722	60	533	26,025	–	–
• S/holders' equity	131,860	8,607	7,713	1,279	5,547	3,134	462	1,981
<b>Total</b>	<b>457,265</b>	<b>77,930</b>	<b>24,374</b>	<b>2,549</b>	<b>11,718</b>	<b>41,729</b>	<b>640</b>	<b>2,816</b>

**OTHER MANUFACTURING AND MARKETING COMPANIES**

Statement of income (in millions of lire)	Value Machinery Inc.	Kilian Inc.	Kilian GmbH
Net revenues	1,207	16,901	59,437
Operating costs	849	15,801	53,444
Operating income	358	1,100	5,993
Other income (expense)	33	–	(2,524)
Result before taxes	391	1,100	3,469
Taxes for the year	158	510	693
<b>Net income</b>	<b>233</b>	<b>590</b>	<b>2,776</b>

**OTHER MANUFACTURING AND MARKETING COMPANIES**

Balance sheet (in millions of lire)	Value Machinery Inc.	Kilian Inc.	Kilian GmbH
Assets:			
• Current	969	4,229	16,271
• Inventories, net	307	–	21,850
• Fixed assets	–	159	6,897
<b>Total</b>	<b>1,276</b>	<b>4,388</b>	<b>45,018</b>
Liabilities:			
• Current	349	2,763	31,554
• Medium/long-term	–	–	3,624
• Stockholders' equity	927	1,625	9,840
<b>Total</b>	<b>1,276</b>	<b>4,388</b>	<b>45,018</b>

**MARKETING COMPANIES**

Statement of income (in millions of lire)	Soteco Italia S.r.l.	IMA N.A. Inc.	IMA GmbH (Viersen-D)	IMA UK Ltd.	IMA France Eurl	I.M.A. GmbH (Wien-A)	IMA Far East Co. Ltd.	Imauto- matiche Lda.
Net revenues	26	87,825	2,463	3,820	7,717	1,322	1,048	57,274
Operating costs	6	86,226	3,109	3,156	7,951	2,056	2,636	53,078
Operating income	20	1,599	(646)	664	(234)	(734)	(1,588)	4,196
Other income (charges)	(25)	228	539	69	(87)	42	(258)	254
Results before taxes	(5)	1,827	(107)	733	(321)	(692)	(1,846)	4,450
Taxes for the year	53	739	–	239	–	5	–	–
<b>Net income</b>	<b>(58)</b>	<b>1,088</b>	<b>(107)</b>	<b>494</b>	<b>(321)</b>	<b>(697)</b>	<b>(1,846)</b>	<b>4,450</b>

**MARKETING COMPANIES**

Balance sheet (in millions of lire)	Soteco Italia S.r.l.	IMA N.A. Inc.	IMA GmbH (Viersen-D)	IMA UK Ltd.	IMA France Eurl	I.M.A. GmbH (Wien-A)	IMA Far East Co. Ltd.	Imauto- matiche Lda.
Assets:								
• Current	1,485	37,026	5,682	5,458	7,842	4,936	966	44,181
• Inventories, net	–	7,563	7	–	666	–	–	–
• Fixed assets	46	3,042	56,247	1,389	165	291	1,334	17
<b>Total</b>	<b>1,531</b>	<b>47,631</b>	<b>61,936</b>	<b>6,847</b>	<b>8,673</b>	<b>5,227</b>	<b>2,300</b>	<b>44,198</b>
Liabilities:								
• Current	461	39,130	6,221	1,716	5,708	5,085	2,642	38,559
• Med/long-term	310	600	33,019	–	19	112	–	401
• S/holders' equity	760	7,901	22,696	5,131	2,946	30	-342	5,238
<b>Total</b>	<b>1,531</b>	<b>47,631</b>	<b>61,936</b>	<b>6,847</b>	<b>8,673</b>	<b>5,227</b>	<b>2,300</b>	<b>44,198</b>

**SUB-HOLDING COMPANIES**

Statement of income (in millions of lire)	Luxteco International SA	Holteco BV
Net revenues	–	–
Operating costs	(737)	(31)
Operating income	(737)	(31)
Other income (expense)	(1,760)	601
Results before taxes	(2,497)	570
Taxes for the year	–	180
<b>Net income</b>	<b>(2,497)</b>	<b>390</b>

**SUB-HOLDING COMPANIES**

Balance sheet (in millions of lire)	Luxteco International SA	Holteco BV
Assets:		
• Current	9,906	4,981
• Inventories, net	–	–
• Fixed assets	11,729	1,651
<b>Total</b>	<b>21,635</b>	<b>6,632</b>
Liabilities:		
• Current	8,987	222
• Medium/long-term	146	–
• Stockholders' equity	12,502	6,410
<b>Total</b>	<b>21,635</b>	<b>6,632</b>

**OTHER COMPANIES**

Statement of income (in millions of lire)	Ignition Team S.r.l.	Info Area S.r.l.	Comitec S.r.l.
Net revenues	6,117	11,997	2,404
Operating costs	4,750	8,275	770
Operating income	1,367	3,722	1,634
Other income (expense)	(117)	(897)	8
Results before taxes	1,250	2,825	1,642
Taxes for the year	37	819	694
<b>Net income</b>	<b>1,213</b>	<b>2,006</b>	<b>948</b>

**OTHER COMPANIES**

Balance sheet (in millions of lire)	Ignition Team S.r.l.	Info Area S.r.l.	Comitec S.r.l.
Assets:			
• Current	5,377	6,063	1,717
• Inventories, net	–	10	–
• Fixed assets	68	2,703	21
<b>Total</b>	<b>5,445</b>	<b>8,776</b>	<b>1,738</b>
Liabilities:			
• Current	2,224	3,307	602
• Medium/long-term	40	218	14
• Stockholders' equity	3,181	5,251	1,122
<b>Total</b>	<b>5,445</b>	<b>8,776</b>	<b>1,738</b>

Shareholders,

Our commentary on Group performance earlier in this report has implicitly covered the activities of the parent company, whose sales, including those to its marketing subsidiaries, contributed 60% of the IMA Group's consolidated revenues.

The highlights of the company's results for the year are summarized below, on a comparative basis with 1999:

in millions of lire	12.31.2000	12.31.1999	Change	%
• Revenues from sales and services	341,603	330,281	11,322	3.43
- of which abroad	317,644	282,478	35,166	12.45
%	92.9%	85.5%		
• Operating income	38,992	37,727	1,265	3.35
• Net income	24,194	18,879	5,315	28.15
• Amortization and depreciation	11,212	11,331	-119	-1.05
• Cash-Flow(net income + amortization + depreciation)	35,406	30,210	5,196	17.19
• Research and development costs	23,586	21,773	1,813	8.32
• Capital expenditure	15,664	14,408	1,256	8.71
• Order book	191,210	176,506	14,704	8.33
<b>Employees</b>	<b>965</b>	<b>933</b>		

The year closed with net income of Lire 24,194 million (Lire 18,879 million in 1999) after charging depreciation and amortization of Lire 11,212 million which included Lire 2,187 million in accelerated depreciation (depreciation and amortization charged in 1999 came to Lire 11,331 million).

Net revenues rose by 3.43% with respect to last year.

The value of the order book was Lire 191,210 million at year end. In contrast to 1999, both of the main sectors (tea and pharmaceuticals) contributed to this growth.

We draw your attention to the adjustments made in 1999 following a change in the order book calculation criteria, as previously discussed. Orders in the first few months of 2000, however, in both the pharmaceuticals and tea sectors, would appear to indicate increased revenues for the current year.

The order book at the end of 2000 is analyzed as follows:

in millions of lire	12.31.2000	%	12.31.1999	%
• Tea and herbs packaging	64,615	33.8	57,388	35.7
• Pharmaceuticals and cosmetics	126,595	66.2	103,118	64.3
<b>Total</b>	<b>191,210</b>	<b>100.0</b>	<b>160,506</b>	<b>100.0</b>

The company's balance sheet and financial position as at December 31, 2000 are summarized below:

	12.31.2000	12.31.1999	Change
• Trade receivables, net	133,804	126,358	7,446
• Other receivables	15,717	14,674	1,043
• Inventories	101,090	101,173	(83)
• Short-term non-financial payables	(155,461)	(116,085)	(39,376)
<b>A) Operating capital</b>	<b>95,150</b>	<b>126,120</b>	<b>(30,970)</b>
• Receivables due beyond 12 months	11,606	2,807	8,799
• Equity investments and financial fixed assets	72,953	56,019	16,934
• Tangible fixed assets, net	45,708	40,476	5,232
• Intangible fixed assets, net	10,546	11,729	(1,183)
<b>B) Fixed assets, net</b>	<b>140,813</b>	<b>111,031</b>	<b>29,782</b>
<b>C) Reserves and M/L-T non-financial payables</b>	<b>(28,975)</b>	<b>(27,396)</b>	<b>(1,579)</b>
<b>A+B-C = Net capital employed</b>	<b>206,988</b>	<b>209,755</b>	<b>(2,767)</b>
<b>FINANCED BY:</b>			
<b>D) Net financial indebtedness</b>	<b>75,128</b>	<b>88,399</b>	<b>(13,271)</b>
<b>E) Stockholders' equity</b>	<b>131,860</b>	<b>121,356</b>	<b>10,504</b>
<b>D+E = Total financial payables and stockholders' equity</b>	<b>206,988</b>	<b>209,755</b>	<b>(2,767)</b>

The decline in working capital can be partly ascribed to lower growth in trade receivables compared with the trend in trade payables. This despite the high concentration of shipments in the last part of the year. The increase in trade receivables totals Lire 7,446 million and represents an excellent result in the light of the high concentration of sales in the last quarter, a result which is synonymous with good management of trade receivables. Inventories have remained more or less the same.

Investments in fixed assets have affected both the item "equity investments", through the increase in capital investment in Luxteco Int. SA prior to subscribing a part of the Luxembourg company, Medinvest International SCA, whose development strategies include investments in the packaging sector, and the item "tangible fixed assets, net" through the construction of a fixed asset for industrial use.

Lastly, the increase in receivables due beyond 12 months refers to a sale to a tea-sector customer on extended credit terms.

### PERFORMANCE DURING THE CURRENT YEAR

The substantial order book at the beginning of the year in both the tea and pharmaceuticals sectors, the positive dynamic for new orders in the first two months, together with the high number of on-going negotiations which we foresee concluding during the next few weeks, would appear to predict a strong growth in revenues, as well as a more even distribution of sales throughout the year.

At the same time, rationalization programs carried forward into 2000, so that cost savings generated from the integration of the Group's newly acquired companies can be maximized to the full, will bring about significant improvement in the percentage of net operating income on sales. As mentioned previously, commitment to R&D by all the divisions is continuing, and this will lead to important innovations by 2001. On the marketing front, which has always contributed to the Group's strong market lead, we are involved in a program of further reinforcement of the whole organization. At the beginning of the year, we opened a new office in Spain to be able to guarantee, through a direct presence, better service to a widely expanding market. Additionally, reinforcement programs are anticipated in all other countries, and particularly in North America and the U.K.

In 2001, the IMA Group will be celebrating 40 years of business. Even if only symbolic, it is an important anniversary, and we want to give it the importance it deserves. We intend to invite all our principal stakeholders to take part – our employees, stockholders, customers, suppliers, financial institutions, public administration and all those who have contributed, and

continue to contribute, to our success. We do not want it to be just an occasion for self-congratulation, nor a nostalgic reliving of the past; rather, an occasion for reflection on the route we have taken during these 40 years, in order to look to the future, to bigger and better projects.

### **TREASURY STOCK**

As at December 31, 2000, the Company held 129,500 own shares in portfolio amounting to Lire 2,054 million. This purchase falls within the powers granted to the Board of Directors of IMA S.p.A., at the stockholders' meeting held on May 31, 2000, to repurchase up to a maximum of 3,610,000 shares.

### **INTERCOMPANY TRANSACTIONS**

We refer you to the initial section of this report relating to consolidated results for full details on this topic. IMA S.p.A. owns no stock in its parent company.

### **SIGNIFICANT EVENTS AFTER YEAR-END**

Significant events after the year-end can be summarized as follows:

- Purchase on January 8, 2001 from the subsidiary BFB S.p.A., of an industrial warehouse suitable for business use, at a price of Lire 8,413 million. This property has been purchased by a related party, former majority stockholder in BFB S.p.A. from whom IMA S.p.A. had bought the company in prior years, and ex-member of the IMA S.p.A. Board of Directors.
- Merging of G.S. Coating system S.r.l and Soteco Italia S.r.l., into IMA S.p.A as part of a more extensive rationalization program of the Group's operational structure begun in May 2000. The merging of the two companies, concluded on January 8, 2001, is the completion of a series of measures begun in May 2000.
- Purchase by IMA S.p.A. on March 23 of a business division for the manufacture of fluid bed granulators for the chemical and pharmaceuticals industry, at a cost of Lire 8,532 million. This forms part of our policy to complete our product range, in particular, machinery for capsule-manufacture.
- In November 2000 and January 2001, IMA S.p.A. signed preliminary contracts with minority stockholders to buy 100% of the stock of Comitec S.r.l. for Lire 2,991 million, payable without interest over 3 years. Comitec S.r.l., which is already owned 52% by IMA S.p.A., carries out feasibility studies for Group companies.

### **CONSOB RECOMMENDATIONS 97001574 OF FEBRUARY 20, 1997 AND 98015375 OF FEBRUARY 27, 1998**

The Company has complied with the Consob recommendations as set out in communications no. 97001574 of February 20, 1997, and no. 98015375 of February 27, 1998. In particular:

- Article 17 of the by-laws states that Directors with executive powers communicate opportunely on operations carried out in the exercise of their powers during the year, on significant Group operations and on operations which have a potential conflict of interest, at Board meetings and, in any case, within intervals of no longer than 3 months. This statutory provision enables the Audit Committee to receive the due reports, in compliance with article 150, legislative decree no. 58 of February 24, 1998 and the other Board members to periodically receive a report of the year's operations carried out in the exercise of their powers;
- as a consequence, the Directors supplied a due and timely statement of significant operations in the current year carried out in the exercise of their powers, where these included significant interGroup operations with related parties, explaining the reasons for these operations;
- some members of IMA's Board of Statutory Auditors also hold office at the subsidiary BFB S.p.A. and Libra S.r.l; we draw your attention to the fact that many of the IMA subsidiaries are foreign and, even if they are Italian, are not required by law to have a Board of Statutory Auditors.

## CORPORATE GOVERNANCE AND CODE OF SELF-REGULATION FOR LISTED COMPANIES

As regards the report on Company Corporate Governance and on the application of the Code of Self-regulation, we refer you to the communication to the stockholders and to the documentation for the stockholders' general meeting, carried out in accordance with Section IA.2.10 of the instructions to market regulation of February 2001, administered by Italian Stock Market S.p.A.

In conformity with article 4.3 of the Code of Self-regulation, the Company's Board of Directors, in their meeting on 13 October 2000, conferred powers of ordinary administration on the Chairman.

The basis for this organizational decision is that other operational duties are also conferred on the Chairman, despite there being a Managing Director.

### COMPANY LOCATIONS

IMA S.p.A.'s secondary locations are listed below:

• Via 1° Maggio, 14	Ozzano Emilia	(Bologna)	Factory and offices
• Via Tosarelli, 184	Castenaso	(Bologna)	Head office
• Via Emilia, 231	Ozzano Emilia	(Bologna)	Factory and offices
• Via Emilia, 428/442	Ozzano Emilia	(Bologna)	Factory and offices
• Via Emilia, 233/235	Ozzano Emilia	(Bologna)	Factory
• Via 1° Maggio, 99/101	Ozzano Emilia	(Bologna)	Factory and offices
• Via S. Pietro, 16/18/20	Ozzano Emilia	(Bologna)	Factory and offices
• Via G. Galilei, 2	Castenaso	(Bologna)	Factory and offices
• Strada Prov. per Lagosanto	Codigoro	(Ferrara)	Warehouses
• Shin – Yokohama	Tokyo		Permanent office

**CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF INCOME**

AS OF DECEMBER 31, 2000 (TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

**I . M . A .** INDUSTRIA MACCHINE AUTOMATICHE S.P.A. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2000 AND COMPARISON WITH DECEMBER 31, 1999 (IN MILLIONS OF ITALIAN LIRE)  
(TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

ASSETS	December 31, 2000	December 31, 1999
<b>A. DUE FROM SHAREHOLDERS FOR CAPITAL NOT PAID IN</b>	-	-
<b>B. FIXED ASSETS</b>		
<i>I. Intangible assets</i>		
Incorporation and subsequent expenses	796	194
Research and Development costs	15	23
Industrial patent and intellectual property rights	625	902
Concessions, licences, trademarks and similar rights	5,072	3,782
Goodwill	21,033	-
Differences on consolidation	53,012	10,544
Other	7,735	4,649
Intangible in progress and payments on accounts	1,096	4,183
<i>Total intangible assets</i>	89,384	24,277
<i>II. Tangible assets</i>		
Land and buildings	39,568	32,732
Plant and machinery	24,288	15,325
Production and commercial equipments	2,523	1,884
Other	8,717	8,222
Tangible in course of construction and advance payments	1,836	6,022
<i>Total tangible assets</i>	76,932	64,185
<i>III. Financial assets</i>		
Investments		
- subsidiaries	716	24
- associated companies	496	331
- other	11,952	180
Total investments	13,164	535
Receivables	3,063	3,565
Securities	9,865	9,977
<i>Total financial assets</i>	26,092	14,077
<b>TOTAL FIXED ASSETS (B)</b>	<b>192,408</b>	<b>102,539</b>
<b>C. CURRENT ASSETS</b>		
<i>I. Inventories</i>		
Raw materials, ancillary materials and consumables	18,173	11,595
Work in progress and semi-finished goods	118,780	100,903
Contract work in progress	12,608	14,278
Finished goods	9,082	5,279
Advances	3,909	2,941
<i>Total inventories</i>	162,552	134,996
<i>II. Receivables</i>		
Receivables due after next accounting period		
- receivables	12,818	3,230
Total receivables due after next accounting period	12,818	3,230
Receivables due within next accounting period		
- receivables	175,559	168,705
- subsidiaries	296	445
- associated companies	14	9
- parent company	5	5
- other	26,324	20,446
Total receivables due within next accounting period	202,198	189,610
<i>Total receivables</i>	215,016	192,840
<i>III. Financial assets not representing fixed assets</i>		
Own shares	2,054	10,774
Marketable securities	60	4,193
<i>Total financial assets not representing fixed assets</i>	2,114	14,967
<i>IV. Cash in bank and on hand</i>	107,627	98,325
<b>TOTAL CURRENT ASSETS (C)</b>	<b>487,309</b>	<b>441,128</b>
<b>D. PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>5,163</b>	<b>4,248</b>
<b>TOTAL ASSETS</b>	<b>684,880</b>	<b>547,915</b>

## CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2000 AND COMPARISON WITH DECEMBER 31, 1999 (IN MILLIONS OF ITALIAN LIRE)  
(TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

LIABILITIES	December 31, 2000	December 31, 1999
<b>A. STOCKHOLDERS' EQUITY</b>		
<i>I. Capital stock</i>	36,100	36,100
<i>II. Share premium reserve</i>	31,720	31,720
<i>III. Revaluation reserves</i>	765	765
<i>IV. Legal reserves</i>	8,741	3,761
<i>V. Reserve for treasury stock</i>	2,054	10,774
<i>VI. Other reserves</i>	26,661	8,628
<i>VII. Accumulated translation adjustments</i>	2,574	2,059
<i>VIII. Retained earnings</i>	25,734	23,555
<i>IX. Group net income</i>	29,444	30,162
<b>GROUP STOCKHOLDERS' EQUITY</b>	163,793	147,524
<b>THIRD PARTIES CAPITAL STOCK AND RESERVES</b>	5,130	4,227
<b>GROUP AND THIRD PARTIES STOCKHOLDERS' EQUITY</b>	168,923	151,751
<b>B. RESERVES FOR RISKS AND CHARGES</b>		
Taxation reserves	-	-
Other	8,806	6,784
<b>TOTAL RESERVES FOR RISKS AND CHARGES (B)</b>	8,806	6,784
<b>C. RESERVE FOR EMPLOYEE TERMINATION INDEMNITIES</b>	30,465	26,863
<b>D. PAYABLES</b>		
Payables due after next accounting period		
- Bank	128,767	48,048
- Suppliers	1,057	1,584
Total payables due after next accounting period	129,824	49,632
Payables due within next accounting period		
- Banks short term	129,490	155,946
- Other financiers	756	-
- Advances	41,313	44,261
- Suppliers	114,921	72,087
- Subsidiaries	12	57
- Associated companies	1,160	995
- Parent company	-	26
- Taxes	11,592	7,250
- Provident and social security institutions	6,695	5,401
- Other	29,165	19,079
Total payables due within next accounting period	335,104	305,102
<b>TOTAL PAYABLES (D)</b>	464,928	354,734
<b>E. ACCRUED EXPENSES AND DEFERRED INCOME</b>	11,758	7,783
<b>TOTAL LIABILITIES</b>	684,880	547,915
<b>MEMORANDUM ACCOUNTS</b>		
Personal guarantees granted	19,152	24,162
Real guarantees granted	-	-
Commitments	125,735	37,252
Contingencies	10,970	6,473
Other	-	-
Guarantees received	1,900	1,848
<b>TOTAL MEMORANDUM ACCOUNTS</b>	157,757	69,735

## CONSOLIDATED STATEMENT OF INCOME

AS OF DECEMBER 31, 2000 AND COMPARISON WITH DECEMBER 31, 1999 (IN MILLIONS OF ITALIAN LIRE)  
(TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

	December 31, 2000	December 31, 1999
<b>A. VALUE OF PRODUCTION</b>		
<i>Revenues from the sale of goods and services</i>	570,925	453,170
<i>Change in work in progress, semifinished goods</i>	5,966	(2,894)
<i>Change in contract work in progress</i>	(1,670)	7,295
<i>Increase in fixed assets for internal work</i>	2,416	586
<i>Other revenues and income</i>	3,692	5,483
<i>Total other revenues and income</i>	3,692	5,483
<b>TOTAL VALUE OF PRODUCTION (A)</b>	<b>581,329</b>	<b>463,640</b>
<b>B. PRODUCTION COSTS</b>		
<i>Raw materials, ancillary materials and consumables</i>	186,970	147,367
<i>Service cost</i>	120,101	99,555
<i>Expenses relating to the use of third party assets</i>	8,021	5,819
<i>Personnel</i>		
salaries and wages	117,077	87,642
social contributions	33,939	27,065
employee termination indemnities	6,697	5,498
other	1,628	2,325
<i>Total personnels costs</i>	159,341	122,530
<i>Depreciation, amortization and write-downs</i>		
amortization of intangible fixed assets	11,562	7,930
depreciation of tangible fixed assets	13,097	9,660
write-down of receivables included in current assets	1,958	2,195
<i>Total depreciation and write-downs</i>	26,617	19,785
<i>Change in raw materials, ancillary materials, consumables and goods for resale</i>	2,072	1,336
<i>Provision for risks and other</i>	3,165	685
<i>Other operating expenses</i>	11,299	9,137
<b>TOTAL PRODUCTION COSTS (B)</b>	<b>517,586</b>	<b>406,214</b>
<b>DIFFERENCE BETWEEN THE VALUE OF PRODUCTION AND PRODUCTION COSTS (A-B)</b>	<b>63,743</b>	<b>57,426</b>
<b>C. FINANCIAL INCOME AND EXPENSES</b>		
<i>Income from investments</i>		
dividends and other income from subsidiaries	1,622	-
dividends and other income from associated companies	109	-
<i>Total income from investments</i>	1,731	-
<i>Other financial income</i>		
- from receivables classified under fixed assets	305	327
- from securities classified under current assets not representing investments	-	-
- capital gain	-	-
- interest	18	924
Total from securities	18	924
- income other than that listed above		
interest and financial commissions	27,485	15,577
Total income other than listed above	27,485	15,577
<i>Interest and other financial income</i>	27,808	16,828
<i>Interest and other financial charges</i>		
other	37,891	24,375
<i>Total interest and other financial charges</i>	37,891	24,375
<b>TOTAL FINANCIAL INCOME AND EXPENSES (C)</b>	<b>(8,352)</b>	<b>(7,547)</b>
<b>D. ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS</b>		
<i>Revaluations</i>	194	1
<i>Write-offs</i>	(18)	(36)
<b>TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)</b>	<b>176</b>	<b>(35)</b>
<b>E. EXTRAORDINARY INCOME AND EXPENSES</b>		
<i>Income</i>	-	5,064
<i>Expenses</i>	-	-
<b>TOTAL EXTRAORDINARY ITEMS (E)</b>	<b>-</b>	<b>5,064</b>
<b>RESULT BEFORE TAXES</b>	<b>55,567</b>	<b>54,908</b>
<i>Income taxes</i>	24,320	23,764
<i>Deferred taxes</i>	663	129
<i>Total taxes</i>	24,983	23,893
<b>NET INCOME INCLUDING MINORITY INTEREST</b>	<b>30,584</b>	<b>31,015</b>
<b>THIRD PARTY NET INCOME</b>	<b>1,140</b>	<b>853</b>
<b>GROUP NET INCOME</b>	<b>29,444</b>	<b>30,162</b>

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

AS OF DECEMBER 31, 2000 (TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

**I . M . A .** INDUSTRIA MACCHINE AUTOMATICHE S.P.A. AND SUBSIDIARIES

## **1) ACTIVITY OF GROUP COMPANIES**

The main activity performed by the IMA Group is the construction and sale of automatic machinery and related spare parts and accessories bound to food, pharmaceutical and cosmetics markets. In addition, the IMA Group acts as a trader of machines manufactured by other companies which complete IMA's range of products.

Moreover, the activity of some Group Companies, in connection with the outsourcing of non-strategic activities, is to provide information system and marketing services to the Group and to third parties.

## **2) STRUCTURE AND CONTENT OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements have been prepared in accordance with regulations of Legislative Decree No. 127/91, interpreted and integrated by principles established by the Italian Accounting Profession, and, as necessary, by the I.A.S.C. - International Accounting Standards Committee.

These explanatory notes explain, analyze and in certain instances integrate financial statements information, and contain information required by Art. 38 of Legislative Decree No. 127/91 and other legal provisions. In addition, all supplementary information deemed necessary to give a true and fair presentation of the company's financial condition is provided even though it is not specifically required by law.

The consolidated financial statements as of December 31, 2000 were prepared using the financial statements of the individual consolidated companies as of the same date, and approved by their corporate bodies.

The financial statements were suitably modified, when necessary, to bring them in line with the standards listed below, and reclassified so they conform to the presentation set forth in the provision of the Civil Code introduced under Legislative Decree No. 127/91. In particular, accounting principles used in the consolidated financial statements differ from those used in statutory financial statements with regard to tax entries, which were posted as provided by civil law regulations, and related deferred taxes.

The significant matters occurred after the closing date are illustrated in the report on operation.

## **3) CONSOLIDATION PRINCIPLES**

### **A) METHODOLOGY**

Consolidation is carried out on a line-by-line basis. The criteria used in the application of this method are primarily the following:

- The book value of consolidated investments held by the parent company or by other consolidated companies is eliminated against the Group's share of their equity.
- The difference between the acquisition cost of investments and the related share in the shareholders' equity of the consolidated companies is allocated, if applicable, to the assets to reflect their current value and the unallocated portion is reflected in the assets as "Differences on consolidation" in the intangible assets.
- Significant transactions between consolidated subsidiaries were eliminated as well as debit and credit entries and unrealized income resulting from intercompany transaction, net of any tax effects.
- Minority interests in equity and in the income are reflected separately in the consolidated balance sheet and statement of income.
- Companies acquired during the year were consolidated as of the date when a majority interest was reached.

## B) CONVERSION OF FINANCIAL STATEMENTS OF FOREIGN COMPANIES TO LIRE

Financial statements of foreign subsidiaries are converted to Italian Lira using the exchange rate prevailing at the year end for the balance sheet, while the statement of income is converted using average exchange rates occurring over the year. Exchange differences resulting from the conversion of beginning net equity at exchange rates prevailing at year-end, and from the conversion of the statement of income at average exchange rates are recorded directly to net equity accounts.

Rates used are the following:

	2000		1999	
	Year end exchange rate	Average exchange rate	Year end exchange rate	Average exchange rate
• U.S. Dollar	2,080.892	2,102.700	1,927.404	1,819.274
• German Mark	989.999	989.999	989.999	989.999
• French Franc	295.182	295.182	295.182	295.182
• LSC	3,102.500	3,178.730	3,114.476	2,942.203
• Shillings	140.714	140.714	140.714	140.714
• Guilder	878.641	878.641	878.641	878.641
• Belgian Franc	47.999	47.999	47.999	47.999
• Yen	18.110	19.520	18.848	16.063
• Indian Rupee	45.037	46.930	44.327	41.982

## 4) CONSOLIDATION AREA

The consolidated financial statements as of December 31, 2000 derive from the financial statements at the same date of the holding company IMA S.p.A. with those of its subsidiaries directly or indirectly controlled, according to article n. 2359 of Civil Code, except for IMA Iberica SI and IMA Japan Co. Ltd, which have not been operating during the year, Kilian Verwaltung GmbH and IMA Lanka Ltd, as they are not significant in order to give a true and fair view of the consolidated financial statements, and Abay Ltd., which has been liquidated at the beginning of 2001.

The list of consolidated subsidiaries with indication of the consolidation method used is as follows:

**COMPANIES CONSOLIDATED USING LINE BY LINE METHOD:**

	Seat		Capital stock	Directly owned	Indirectly owned
<i>Italian companies</i>					
• I.M.A.					
Industria Macchine Automatiche S.p.A.	Ozzano E. (BO)	Lit.	36,100,000,000	Parent Company	
• Soteco Italia S.r.l.	Castenaso (BO)	Lit.	41,391,000	100%	–
• Libra P.T. S.r.l.	Calenzano (FI)	Lit.	2,000,000,000	100%	–
• BFB S.p.A.	Bentivoglio (BO)	Lit.	3,000,000,000	100%	–
• Ignition Team S.r.l.	Castenaso (BO)	Lit.	150,000,000	90%	–
• Info Area S.r.l.	Ozzano E. (BO)	Lit.	190,000,000	100%	–
• GS Coating System S.r.l.	Ozzano E. (BO)	Lit.	20,000,000	100%	–
• Comitec	Castel S.Pietro (BO)	Lit.	100,000,000	52%	–
<i>Foreign companies</i>					
• Luxteco International SA	Luxembourg	EUR	6,600,000	99.99%	–
• Holteco B.V.	Amsterdam (NL)	NLG	2,000,000	100%	–
• IMA UK Ltd.	Wokingham (GB)	LST	50,000	100%	–
• IMA North America Inc.	Fairfield (USA)	USD	2,500	100%	–
• I.M.A. Est Verp. Handels GmbH	Wien (A)	EUR	80,000	100%	–
• IMA Verp. GmbH	Viersen (D)	DM	170,000	100%	–
• IMA France E.u.r.l.	Rueil-Malmaison (F)	FF	300,000	100%	–
• Precision Gears Pvt. Ltd.	Bombay (India)	RS	5,633,000	–	51% (1)
• Precision Gears (Indore) Pvt. Ltd.	Indore (India)	RS	10,550,000	–	51% (2)
• IMA Far East Co Ltd	Hong Kong	USD	3,472,969	–	100% (4)
• Zibo IMA Xinuha Machinery Manufacturing Co. Ltd	Zibo (PRC)	USD	800,000	–	54% (3)
• Tianjin IMA Machinery Co. Ltd	Tianjin (PRC)	USD	200,000	–	53% (3)
• Imautomatiche Lda	Madeira (P)	PTS	400,000	100%	–
• Kilian GmbH & Co. KG	Colonia (D)	DM	7,000,000	–	100% (5)
• Kilian & Co. Inc.	Horsam (USA)	USD	500	–	100% (6)
• Value Machinery Inc.	Trenton (USA)	USD	1,000	-	100% (7)

**COMPANIES EVALUATED USING EQUITY METHOD:**

	Seat	Capital stock	Directly owned	Indirectly owned
• J.O.I. Pack Company Ltd.	Saitama (Japan)	YEN 25,000,000	50%	–
• B.C. S.r.l.	Imola (BO)	Lit. 70,000,000	30%	–
• Abay Ltd in liquidation	Tortola (BVI)	USD 50,000	-	100% (4)

Notes (detailed of the indirectly owned companies):

- (1) Owned by Holteco B.V.
- (2) Owned for 30.6% by Holteco B.V. and for the remaining by Precision Gears Pvt. Ltd.
- (3) Owned by IMA Far East Co. Ltd.
- (4) Owned by Luxteco Int. S.A. and Holteco B.V.
- (5) Owned by IMA Verpackungssysteme GmbH
- (6) Owned by Kilian GmbH & Co. KG
- (7) Owned by IMA North America Inc.

Investments in IMA Iberica Sl and in IMA Japan Co. Ltd have been stated at cost as they have not been operating during the year. Both the companies have been incorporated at year end, in order to sell the IMA Group products respectively in the spanish and in the japanese market.

IMA Lanka Ltd has been incorporated by the subsidiary Holteco B.V. in Sri Lanka in order to provide the after sales assistance for tea machines in that country. Kilian Verwaltung GmbH's main purpose is to render management services to the other group companies which are located in Germany. Ima Lanka and Kilian Verwaltung have not been consolidated as they are not significant in order to give a true and fair view of the consolidated financial statements. The book value of the investment in such companies does not significantly differ from their equity.

The investment in Info Partners S.r.l., stated at cost in the consolidated financial statements as of December 31, 1999, has been sold during the year, as disclosed below.

The main changes in consolidation area from prior year are as follows:

- IMA Verpackungssysteme GmbH has purchased the 100% of Kilian GmbH & Co KG., which completely owns Kilian & Co. Inc., a commercial company located in the U.S.A.
- In July IMA N.A. Inc. has purchased the 100% of Value Machinery Inc., a small company located in New Jersey, specialized in the sale of the cotton yarn used in the tea bag packaging. The acquisition reinforces the group leadership in this sector, by the way of a vertical integration process. Although the acquisition has been completed on July, the consolidated financial statements include the total year statement of income of the company, as it has been managed by the group since January 2000.

Moreover, during the year Dima S.r.l., a group company, has purchased a packaging machine division for coating capsules from third parties. After this acquisition, the company has changed its name to GS Coating System S.r.l. The purposes of this acquisition have been disclosed in the report on operations.

With reference to Ignition Team S.r.l., a contract was signed in 1999 for the transfer of the 90 % of the company's quotas at a price reflecting the corresponding share of stockholders' equity at the time of sale.

Under the terms of this contract, IMA undertakes to appoint Ignition Team S.r.l. to manage public relations for itself and other Group companies for an agreed fee; this appointment will commence on September 1, 2001 and last until December 31, 2004. Finally, during the year the merger of Precision Gears PVT Ltd. and Precision Gears (Indore) PVT Ltd. has been deliberated.

## 5) RECONCILIATION BETWEEN THE PARENT COMPANY STATUTORY ACCOUNTS AND THE CONSOLIDATION ACCOUNTS

The reconciliation between the parent company statutory accounts as of December 31, 2000 and the consolidation accounts at the same date is the following (in millions of Italian Lire):

	Stockholder's equity	Net income
<b>Amounts reflected in I.M.A. statutory accounts</b>	<b>131,860</b>	<b>24,194</b>
Consolidation adjustments:		
a) Difference between book value of investments and Shareholders' equity of group companies	30,078	16,899
b) Elimination of fiscal adjustments related to accelerated depreciation and leasing operations	11,236	654
c) Elimination of intra-group dividends	-	(11,369)
d) Elimination of unrealized intra-group earnings related to:		
• Intangible assets	(1,758)	213
• Tangible assets	(590)	(123)
• Inventories	(5,785)	(1,010)
e) Deferred taxation related to consolidation adjustments	(1,248)	(14)
Net effect of consolidation adjustment	31,933	5,250
<b>Amount reflected in the consolidation accounts</b>	<b>163,793</b>	<b>29,444</b>

## 6) VALUATION CRITERIA

The most significant valuation criteria adopted in the preparation of the consolidated financial statements as of December 31, 2000 of IMA Group consistently applied, are as follows:

### A) INTANGIBLE FIXED ASSETS

These are stated at purchase price or production cost, including accessory expenses, and are systematically amortized over the period of their estimated useful life.

The following table sets out the amortization policies utilized for intangible fixed assets:

- Incorporation costs and subsequent expenses	5 year	
- Research and Development costs	5 year	
- Industrial patent and intellectual property rights	5 year	
- Concessions, licenses, trademarks and similar rights	3 year	
- Goodwill	10 year	
- Differences on consolidation	5-10-15 year	
- Other	3-5 year	period of contract

Research and Development costs are usually charged to operations in the period they are sustained.

### B) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at purchase price or production cost or at appraisal value in the case of contribution. Some assets have been revalued according to laws or in the event of merger carried out in previous accounting periods. Ancillary costs and direct and indirect expenses, to the extent reasonably attributable to the assets, are included in this cost. Depreciation is

calculated on a straight line basis according to the following annual rates, which represent the estimated useful life of the assets:

• Buildings	3%
• Plant and machinery	10%-15,5%
• Production and commercial equipment	25%
• Other	
- Electronic office machinery	20%
- Office furniture and fittings	12%
- Vehicles	20%-25%

In the accounting period of purchasing, rates are applied at 50%.

Regardless of depreciation already applied, if a sustained drop in value occurs, the asset is devalued accordingly.

Ordinary maintenance and repair costs are charged against operations when incurred.

Incremental costs are attributed to the related asset and are depreciated in relation to the remaining useful life of the asset.

Tangible fixed assets having a purchase price lower than Lire 1 million are completely depreciated in the year they are purchased.

#### C) TANGIBLE ASSETS HELD UNDER FINANCIAL LEASE

Leasing investments are accounted for on the basis of document N. 17 issued by the International Accounting Standards Committee (I.A.S.C).

It provides that:

- the cost is attributed to tangible assets and it is depreciated at a settled rate in relation to the remaining useful life of the asset;
- rental expenses are accounted in order to separate financial portion from capital portion, which should be considered as liability to the lessors.

#### D) INVESTMENTS AND SECURITIES CLASSIFIED UNDER FIXED ASSETS

Investments in subsidiaries and associated companies not consolidated are valued using the cost method.

Investments in other companies are valued at the acquisition or subscription cost and adjusted for any sustained drop in value, when the investments have sustained losses and no profit is forecasted for the immediate future which might absorb the losses incurred.

Securities included in fixed assets, with the purpose of holding them until maturity, are stated at acquisition cost adjusted for the accrued portion of the issuance discount. The cost is written down in case of permanent impairment of value.

#### E) INVENTORIES

Inventories are stated at the lower between purchase or production cost and the presumed realizable value based on market trend. The cost used is the LIFO cost method for raw materials, ancillary materials and consumables and the actual cost for other inventory items.

Presumed realizable value is calculated taking into account any production costs yet to be incurred and direct selling expenses. Obsolete and slow-moving inventories are written down on the basis of their possible utilization and realization.

Contract work in progress refers to medium/long term contracts stated according to the completion percentage method. Any losses on contract work in progress, which can be estimated with reasonable approximation, are recognized in the period they become known.

#### F) RECEIVABLES

Receivables are stated at their expected realizable value.

#### G) ACCRUALS AND PREPAYMENTS

Accruals and prepayments include the portion of revenues and expenses covering two or more periods, in accordance with the accrual basis of accounting.

#### H) RESERVES FOR RISKS AND CHARGES

Reserves for risks and charges are provided to cover known or probable losses or liabilities whose amount and effective date are not determinable at the year-end. The reserves represent the best possible estimate based on the information currently available.

Potential risks are disclosed in the notes and not provided in the reserves for risks and charges

#### I) RESERVE FOR EMPLOYEE TERMINATION INDEMNITIES

The reserve for employee termination indemnities is provided to cover the full liability due to employee in conformity with current legislation, national labour contracts and additional indemnities agreed at company level. This reserve is subject to revaluation on the basis of living index.

#### L) PAYABLES

Payables are stated at their nominal value.

#### M) INCOME TAXES

Income taxes are recorded on the basis of a reasonable estimate of tax charges taking into account exemptions and the relating applicable tax rate, and tax credits due.

Deferred taxes are also allocated to account for temporary differences between statutory and taxable income for each separate company. Deferred taxes on consolidation adjustments are stated as well. In particular, deferred tax assets are recorded when it is reasonably certain they will be realized.

#### N) GRANTS TOWARDS CAPITAL EXPENDITURE

Capital grants are accounted for, when the amounts become certain, to a special heading under accrued liabilities and deferred income and are credited to the statement of income over the residual useful lives of the fixed assets to which they refer. Operating grants are booked in the profit and loss accounts when the amounts become certain.

#### O) REVENUE RECOGNITION

Revenue relating to the sale of products is recognized at the moment that title passes, which generally coincides with shipping. Revenues related to contract work in progress have been previously disclosed.

#### P) TRANSLATION CRITERIA FOR BALANCES IN FOREIGN CURRENCY

Receivables and payables denominated in foreign currency are translated into Lire at the exchange rates ruling on the date of the original transaction. The exchange differences realized on the collection of receivables or payment of liabilities are recorded in the statement of income.

The effects resulting from the translation of receivables and payables denominated in foreign currencies at the exchange rates ruling at year end, are booked in the profit and loss accounts as financial items.

## 7) OTHER INFORMATION

### A) STATEMENT OF VALUES

For better clarity and understanding, all figures in the balance sheet, income statement, explanatory notes and attachments are expressed in millions of Italian Lire.

### B) THE EURO

Pursuant to Decree 213 of January 24, 1998, which introduced the new European currency (the Euro), the most of the Group companies has to adapt their computer systems so that they can process data in the new functional currency. During the year has been carried on the implementation of the program which aims to solve the related problems in time for the transition of all our accounting, financial, managerial and technical systems to the Euro.

Of the several options available, we choose to purchase and personalize new software, which also met our needs with regard to the year 2000. For that reason, we are unable to separate the amounts we spent on the two issues.

The costs incurred during the year for the new computer system have been capitalized, as follows: Lire 767 million, under "concessions, licenses, trademarks and similar rights", Lire 400 million under "other intangible fixed assets" and Lire 1,050 million under "intangible in progress and payments on accounts".

As of December 31, 2000, total costs capitalized for the new computer system amount to Lire 10,142 million (Lire 2,742 million accounted for as "concessions, licenses, trademarks and similar rights"; Lire 6,200 million as "other intangible fixed assets" and Lire 1,200 million as "intangible in progress and payments on accounts").

The estimated costs still to be incurred for the new computer system, with reference to the transition to the Euro, are equal to Lire 600 million.

The adoption of the new european currency is forecasted starting from January 2002.

### C) INFORMATION BY SECTOR OF BUSINESS AND GEOGRAPHICAL AREA

In relation to CONSOB's circular (segment information) the explanatory notes to the consolidated financial statements include an annex summarizing the information by operating sector (tea, pharmaceutical, other sectors). Such information is the most significant, considering the operating activity of the Group. Furthermore, it should be considered that the sector operating margins by geographic area do not significantly differ each other from those showed in the annex. The analysis of sales by geographic area is included in the following section related to comments on the principal income statement balances.

### D) EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH

The consolidated financial statements have been translated into English from the original version in Italian. They have been prepared in accordance with the Italian Law related to consolidated financial statements, interpreted and integrated by the accounting principles established by Italian Accounting Profession. Certain accounting practices applied by the Group that conform with generally accepted accounting principles in Italy may not conform with the generally accepted accounting principles in other Countries.

## 8) COMMENTS ON THE MAIN ASSET CAPTIONS

### FIXED ASSETS

#### A) INTANGIBLE ASSETS

The table below shows the movements of intangible assets occurred during the accounting period:

	Net value
<b>Balance as of December 31, 1999</b>	<b>24,277</b>
Increases (decreases) of the period:	
• Additions	5,899
• Goodwill accounted for in the year	22,337
• Differences on consolidation accounted for in the year	47,503
• Changes in consolidation area	900
• Depreciation	(11,562)
• Disposals	-
• Translation differences	30
<b>Balance as of December 31, 2000</b>	<b>89,384</b>

The incorporation and subsequent expenses, amounting to Lire 796 million (Lire 194 million as of December 31, 1999), mainly refer to the costs incurred for the acquisition of the packaging machine division for coating capsules, above disclosed. The item includes Lire 204 million related to services rendered by a related party.

Research and Development costs for Lire 15 million (Lire 23 million as of December 31, 1999) relate to development of new products, already included in the intangible assets in previous year.

The caption "Industrial patent and intellectual property rights", amounting to Lire 625 million (Lire 902 million as of December 31, 1999), includes the costs for the acquisition of the rights related to industrial patents, net of depreciation. Costs related to the extension of such patents in other countries are included in the caption as well.

The item "Concessions, licences, trademarks and similar rights", amounting to Lire 5,072 million (Lire 3,782 million as of December 31, 1999), includes Lire 4,934 million related to technical software.

The item "Goodwill", amounting to Lire 21,033 million, is related to the goodwill recorded in respect of the acquisition of the G.S. S.r.l. Coating System packaging machine division for coating capsules (Lire 22,337 million), net of the amortization for a seven month period (Lire 1,304 million). The goodwill will be amortized over ten years, being this the estimated duration of the benefits resulting from the accumulated know-how acquired and the existing product range. In fact, considering also the relatively brief history of the company selling the division in the business of packaging machines for coating capsules, a longer amortization period would be inappropriate.

The item "Differences on consolidation" relates to the excess of cost paid for the acquisition of Libra P.T. S.r.l., BFB S.p.A. and Kilian GmbH & Co. KG.

Such differences relate to goodwill paid for such companies that own competitive products and technical knowledge.

The movements of the item occurred during the accounting period are as follows:

	Amortization period	Balance as of December 31, 1999	Difference accounted in the period accounting	Amortization and write off	Balance as of December 31, 2000
• B.F.B. S.p.A.	10	10,394	–	1,732	8,662
• Libra P.T. S.r.l.	5	150	–	136	14
• Kilian Gmbh & Co. KG	15	–	47,503	3,167	44,336
<b>Total</b>		<b>10,544</b>	<b>47,503</b>	<b>5,035</b>	<b>53,012</b>

Difference on consolidation resulting from the acquisition of Kilian & Co. GmbH is amortized over a 15 year period. The longer amortization period, allowed by the applicable accounting principles, has been stated considering both the particular steadiness of the company's sector (compressing machines) – from a technological and competitive point of view – and the leadership position reached by the company since a long time. Based on the above characteristics concerning the company and its sector, the Group management consider the 15 year amortization period as the period during which the benefits expected from the acquisition will take place.

“Intangible in progress and payments on accounts” mainly relates to licenses and consultation services regarding the part of the new information system which has not still been implemented.

The most significant increases recorded during the year, in addition to what above disclosed, mainly relate to:

- Incorporation costs and subsequent expenses - Lire 946 million.
- Cost for the protection and renewal of patents of our production - Lire 508 million.
- Expenses for the acquisition of software for the E.D.P. system - Lire 1,646 million.
- Other intangible assets - Lire 3,401 million, mainly related to consultancy services for the new Information System implementation. This amount includes Lire 2,310 million, related to the ERP modules implemented during the year, which were classified as "intangible in progress and payments on accounts" in the consolidated financial statements as of December 31, 1999.

Decreases mainly relate to amortization accounted for under the principles mentioned above.

## **B) TANGIBLE ASSETS**

The tangible assets and their accumulated depreciation at the end of 2000 and 1999 are the following:

	December 31, 2000			December 31, 1999	
	Gross value	Accumulated depreciations	Net value	Of which due to changes in consolidation area	Net value
• Land and buildings	52,459	(12,891)	39,568	3	32,732
• Plant and machinery	62,237	(37,949)	24,288	3,871	15,325
• Industrial and commercial equipment	15,951	(13,428)	2,523	203	1,884
• Other	36,565	(27,848)	8,717	1,710	8,222
• Tangibles in course of construction and payments on account	1,836	–	1,836	54	6,022
<b>Total</b>	<b>169,048</b>	<b>(92,116)</b>	<b>76,932</b>	<b>5,841</b>	<b>64,185</b>

The analysis of the movement of tangible assets and their accumulated depreciation occurred during the period is the following:

	Gross value	Accumulated depreciation	Net value
<b>Balance as of December 31, 1999</b>	<b>132,936</b>	<b>(68,751)</b>	<b>64,185</b>
Increases (decreases ) in the period:			
• Purchases	21,590	–	21,590
• Net changes in consolidation area	20,904	(14,828)	6,076
• Depreciation	–	(13,097)	(13,097)
• Disposals	(6,740)	4,695	(2,045)
• Translation differences	358	(135)	223
<b>Balance as of December 31, 2000</b>	<b>169,048</b>	<b>(92,116)</b>	<b>76,932</b>

The main increases in the period relate to:

- Land and buildings for Lire 8,033 million, of which Lire 7,802 million related to the new building located in Ozzano dell'Emilia, Via I Maggio 16, completed during the year. Costs related to this building, amounting to Lire 4,676 million, were classified as "intangible in progress and payments on accounts" in the consolidated financial statements as of December 31, 1999.
- Plant and machinery for Lire 10,885 million, related for Lire 3,577 million to plants directly connected with the above building (of which Lire 1,264 million were classified as "intangible in progress and payments on accounts" in the consolidated financial statements as of December 31, 1999) and for Lire 1,956 million to the capitalization of internally produced machines, which are used in the production process to perform technical tests.
- Production and commercial equipment for Lire 1,371 million, mainly related to the purchase of industrial equipment
- Electronic machines for Lire 2,257 million.
- Intangible in progress and payments on accounts for Lire 1,500 million, related to the advance paid by the BFB S.p.A. in order to purchase the building located in Bentivoglio (where actually the Company is performing its activity under a lease contract). The building will be sold by a member of the IMA S.p.A. Board of Directors for a part of the year and former stockholder of BFB S.p.A., who sold the company to IMA S.p.A. in previous years. The building price, originally stated in the preliminary agreement in Lire 7,840 million, plus the VAT, has been increased during the year by further Lire 573 million, as a consequence of further enlargement works.

Moreover, negotiations are in place in order to sell the building located in Codigoro (FE) to the current lessees: the forecasted selling price is in line with its net book value as of December 31, 2000 (Lire 2,375 million).

The main decreases refer to "Other tangible assets" for Lire 3,863 million, mainly related to the disposal of obsolete machineries.

Tangible assets, still held at December 31, 2000, have been revalued in prior periods as follows:

	Revaluation L.72/83	Revaluation L.413/91	Other Revaluations	Total
• Land and buildings	1,610	3,072	56	4,738
• Plant and machinery	194	–	747	941
• Industrial and commercial tools	93	–	106	199
• Other tangible assets	16	–	194	210
<b>Total</b>	<b>1,913</b>	<b>3,072</b>	<b>1,103</b>	<b>6,088</b>
- Less- Accumulated depreciation	(1,211)	(733)	(1,103)	(3,047)
<b>Total</b>	<b>702</b>	<b>2,339</b>	<b>–</b>	<b>3,041</b>

### c) FINANCIAL ASSETS

#### Investments

Investments comprise the following:

(in millions of Lire)	Percentage of ownership	December 31, 2000	December 31, 1999
Subsidiary companies			
• IMA Lanka Ltd	100%	24	24
• Ima Iberica Processing and Packaging S.L.	100%	436	–
• Ima Japan Co. Ltd.	99,5%	207	–
• Kilian Verwaltung GmbH	100%	49	–
• Abay Ltd	100%	–	–
		716	24
Associated companies			
• J.O.I. Pack Co. Ltd.	50%	60	78
• B.C. S.r.l.	30%	436	242
• Infopartners S.r.l.	–	–	11
		496	331
Other companies		11,952	180
<b>Total</b>		<b>13,164</b>	<b>535</b>

The increase in the item "Other companies", amounting to Lire 11,772 million, is mainly due to the purchase of a part of the capital stock of Medinvest International S.C.A., amounting to Lire 11,618 million, carried out at face value by Luxteco International S.A.

Medinvest International S.C.A., a Luxembourgian company having a capital stock resolved up to a maximum of Euro 150 million, mainly subscribed by primary companies, has been incorporated during the year in order to perform strategic investments in the sector of packaging and to render financial services.

Of the capital share subscribed by Luxteco International S.A., corresponding to the 9.5% of the capital stock at the subscribing date, Lire 2,905 million have been paid up by December 31, 2000: the remaining Lire 8,713 million have been paid up on January 2001.

On October 13, 2000, Medinvest International S.C.A., IMA S.p.A. and its parent company, Finvacchi S.p.A. have signed a contract having, as main purpose, the establishment of a permanent organization in which Medinvest International S.C.A. and IMA S.p.A. will share their specific know how, in order to facilitate the growth of the two companies. In the same date (October 13, 2000), some members of the Vacchi family, and Finvacchi S.p.A. for a minimum part, have sold about the 14%

of the IMA S.p.A. capital stock to Net Packaging S.A., the belgian parent company of Medinvest International S.C.A. The book value of the investment in Medinvest International S.C.A. includes accessory expenses amounting to about Lire 100 million.

With regard to the consolidation of B.C. S.r.l. using the equity method, a residual goodwill of Lire 23 million has been considered.

The investment in Info Partners S.r.l. has been dismissed during the year, giving raise to a profit amounting to Lire 109 million.

#### **Other receivables**

This balance comprises advanced payments of taxes on the reserve for employee severance indemnities as well as guarantee deposits.

#### **Other securities**

This item is made up of treasury bonds and other long-term bonds, which are held on pledge as guarantee of loans. Consequently, they have been classified under "Financial assets".

### CURRENT ASSETS

#### **A) INVENTORIES**

The inventories balance at year end is analyzed as follows:

	December 31, 2000			December 31, 1999	
	Gross value	Obsolescence Reserve	Net value	Of which due to changes in consolidation Net book value	Net value
• Raw materials, ancillary materials and consumables	24,268	(6,095)	18,173	7,935	11,595
• Works in progress and semi-finished goods	123,775	(4,995)	118,780	11,969	100,903
• Contract work in progress	13,148	(540)	12,608	–	14,278
• Finished goods	12,671	(3,589)	9,082	5,326	5,279
• Payments on account	3,909	–	3,909	173	2,941
<b>Total</b>	<b>177,771</b>	<b>(15,219)</b>	<b>162,552</b>	<b>25,403</b>	<b>134,996</b>

The increase in inventories is mainly due to the acquisition of Kilian GmbH & Co.KG, of the GS S.r.l. Coating System division and of Value Machinery Inc., above disclosed. As of December 31, 2000, inventories related to these companies respectively amount to Lire 21,850 million, Lire 3,246 million and Lire 307 million.

Contract work in progress are net of a reserve for contractual risks, amounting to Lire 540 million, quantified according to the fiscal law in force.

During the accounting period, the group has furtherly developed the cooperation with some of its customers, in order to study and realize packaging machines able to satisfy the specific customer needs. This strict partnership with primary customers in the development of new technologies is ever more becoming one of the most important key success factors. Since the work in progress produced on specific client orders are completed in a period longer than 12 months, they have been valued using the percentage of completion method.

Had been the inventories valued using the current method rather than the LIFO method actually used, they would have had a positive difference of Lire 479 million at December 31, 2000 (Lire 846 million as of December 31, 1999).

## B) RECEIVABLES

### Trade receivables

The balance of trade receivables at year end is analyzed as follows:

	Gross value	December 31, 2000		December 31, 1999	
		Reserve	Net value	Of which due to changes in consolidation Net book value	Net value
• Receivables due within one year	180,037	(4,478)	175,559	22,062	168,705
• Receivables due after one year	13,141	(323)	12,818	–	3,230
<b>Total</b>	<b>193,178</b>	<b>(4,801)</b>	<b>188,377</b>	<b>22,062</b>	<b>171,935</b>

Had been equal the consolidation area, trade receivables would have decreased by Lire 5,620 million, although the significant increase of sales disclosed below, as a consequence of the significant efforts made by the group in order to collect the overdue receivables. Payment extensions given to clients located in countries at risk are guaranteed by financial instruments which ensure their collection.

During the year trade receivables amounting to Lire 43,850 million, of which Lire 30,500 million still outstanding at December 31, 2000, have been sold *“pro-soluto”*, including a receivable amounting to Lire 7,787 million, due by a russian customer, completely written down in previous years, given the difficult economic and political situation in Russia. Therefore, the sale of this receivable at a price equal to Lire 4 million has not given raise to any loss.

Trade receivables due after one year mainly relate to sales made by the tea division: the significant payment extensions have been granted considering the high amount of these sales.

### Receivables from subsidiaries, associated companies and parent companies

The balance is comprised as follows:

Differences	December 31, 2000		December 31, 1999	
Receivables from subsidiaries				
• Ima Lanka		296	445	(149)
Receivables from associated companies				
• B.C. S.r.l.		14	9	5
Receivables from parent companies				
• Fin-Vacchi S.p.A.		5	5	-
<b>Total</b>		<b>315</b>	<b>459</b>	<b>(144)</b>

Credit and debit relations during the year with the parent company substantially concern re-charge of service costs.

## Other receivables

This balance is represented by:

	December 31, 2000	December 31, 1999	Differences
• Receivables from tax authorities	21,252	16,658	4,594
• Other advance	1,515	1,152	363
• Advance to employees	290	193	97
• Other	3,267	2,443	824
<b>Total</b>	<b>26,324</b>	<b>20,446</b>	<b>5,878</b>

As of December 31, 2000, receivables from tax authorities include Lire 6,356 million (Lire 7,082 million as of December 31, 1999), related to prepaid taxes: the amount is net of deferred taxes liabilities for Lire 2,744 million (Lire 2,746 million as of December 31, 1999). The balance includes VAT receivables, amounting to Lire 5,893 million, as well.

The effect of the acquisition of Kilian, GS and Value Machinery is equal to Lire 2,541 million.

Deferred and prepaid taxes have been computed considering the tax rate decrease introduced by Law starting from 2001.

## C) FINANCIAL ASSETS NOT REPRESENTING FIXED ASSETS

### Own shares

As at 31 December 2000, the value of own shares in portfolio amounted to Lire 2,054 million (substantially corresponding to the market value at year end), which is equivalent to 129,500 shares with a nominal value of Lire 129,5 million. The purchase of own shares is within the powers given to the Board of Directors at the IMA S.p.A. shareholders' meeting of 1 December 1998 and of 1 May 2000, which decreed that the company is allowed to purchase IMA shares up to a maximum amount of 3,610,000 shares, at a price between Lire 9,000 and Lire 18,000 per share (according to the shareholders' meeting of 1 December 1998) and between Euro 5 and Euro 10 (according to the shareholders' meeting of 1 May 2000).

### Marketable securities

This balance includes the following debentures:

	Nominal Value	F/S Value	Market Value
• CRBO 1998/2005	60	60	59
<b>Total</b>	<b>60</b>	<b>60</b>	<b>59</b>

## D) CASH AT BANK AND IN HAND

The increase is mainly due to the acquisitions performed during the year, as above disclosed, whose effect at year end can be quantified in Lire 8,148 million.

In particular, the high amount of cash at bank is mainly due to the maturity of several forward sales of foreign currencies, in connection with sales at year-end and to the sale of trade receivables "*pro-soluto*".

## PREPAID EXPENSES AND ACCRUED INCOME

As of December 31, 2000, this balance is comprised as follows:

	December 31, 2000	December 31, 1999	Differences
Accrued income			
• Interest on securities	124	141	(17)
• Interest on loan	1,982	1,517	465
• Other	266	33	233
	2,372	1,691	681
Prepaid expenses			
• Insurance	138	264	(126)
• Interest on discounted notes	1,172	657	515
• Guarantees	136	227	(91)
• Other	1,345	1,409	(64)
	2,791	2,557	234
<b>Total accrued income and prepaid expenses</b>	5,163	4,248	915

The item “Other” includes consultations for Lire 552 million and software maintenance fees for Lire 269 million. The effect of the acquisitions made during the year, as above disclosed, is equal to Lire 240 million.

### 9) COMMENTS ON MAIN LIABILITY AND STOCKHOLDERS’ EQUITY ITEMS

#### STOCKHOLDERS’ EQUITY

The movement of the various items making up stockholders’ equity are set out in an Appendix.

##### **A) STOCK CAPITAL**

Stock capital shown in the consolidated financial statement at December 31, 2000, fully subscribed and paid up, consists of 36,100,000 ordinary shares with a nominal value of Lire 1,000 each.

##### **B) SHARE PREMIUM RESERVE**

Such reserve amounting to Lire 31,720 million derives from the issue of 6,100,000 ordinary shares, placed in 1995 exclusively to third parties. Share premium has been of Lire 5,200 each share.

##### **C) REVALUATION RESERVES**

As of December 31, 2000, the financial statements of the consolidated companies include revaluation reserves for Lire 765 million arising from the application of monetary revaluation provided by Laws.

Such reserves will become taxable if they will not be used to cover companies’ losses.

No taxes have been provided in respect of these reserves as the companies are not planning to take any resolution which could generate the taxation.

##### **D) RESERVE FOR TREASURY STOCK**

Such reserve amounts to Lire 2,054 million, represented by own stocks recorded in the assets.

## E) OTHER RESERVES AND RETAINED EARNINGS

Other reserves as of December 31, 2000 do not include reserves in suspension of taxation. Net equity includes Lire 768 million of non distributable legal reserves and Lire 764 million of reserves for which the distribution is restricted to cover the unamortized portion of “Incorporation and subsequent expenses” included in the financial statements of the Italian companies. In addition, consolidated stockholders equity includes Lire 973 million in Chinese currency not freely convertible.

### RESERVES FOR RISKS AND CHARGES

The composition of, and movement on these reserve are as follows:

	December 31, 2000	December 31, 1999	Differences
Other reserves			
• Exchange losses	-	1,623	(1,623)
• Product guarantees	5,626	3,370	2,256
• Other reserves	3,180	1,791	1,389
<b>Total other reserves</b>	<b>8,806</b>	<b>6,784</b>	<b>2,022</b>

Products guarantees reserve relates to the provision for technical assistance to be carried out after year-end based on finished goods sold before. The increase of this reserve is strictly connected to the turnover growth, disclosed in the report on operations. Legal disputes arising from their respective mainstream business activities are ongoing in the case of the Parent Company and certain other Group companies. No significant liabilities are expected to arise from any of these proceedings.

The “other reserves” include the agent's indemnity reserve for Lire 1,593 million, accounted for in the IMA S.p.A. as well as in other Group companies' financial statements and the amount of Lire 600 million accounted for in order to cover the liabilities which could arise from the typical business activity performed by the parent company.

In addition, some subsidiaries met significant losses, which involved re-capitalization and reorganization processes, already performed or still in progress, in order to allow them to operate as going concern.

The effect of the acquisitions made during the year, as above disclosed, is equal to Lire 2,405 million.

### TRANSACTIONS IN FINANCIAL DERIVATIVES

Open transactions in financial derivatives as of December 31, 2000 relate to forward sales of foreign exchange and currency options with a total equivalent of Lire 121,455 million. No losses would have arisen on the translation of these balances using the respective year-end rate of exchange. Similar transactions completed during the year related to USD 55 million and YEN 230 million. On such operations premiums have been collected for Lire 100 million and discounts have been paid for Lire 927 million (respectively credited to “Miscellaneous financial income” and to “Interest and other financial charges”).

Moreover, these operations have generated profits totalling Lire 510 millions and losses amounting to Lire 2,706 million which were recorded as adjustment of sales revenues, since they refer to specific sales orders.

The overall loss charged to the statement of income thus amounted to Lire 3,023 million.

Furthermore, during the year currency options have been sold and purchased, with reference to premiums have been collected for Lire 1,662 million and paid for Lire 2,368 million (respectively credited to “Miscellaneous financial income” and to “Interest and other financial charges”). Such operations, completed during the accounting period, have generated profits amounting to Lire 44 million and losses amounting to Lire 1,531 million, recorded as adjustment of sales revenues. Therefore, the overall loss resulting from currency options amounts to Lire 2,167 million.

During the year 2000, the Parent Company has stipulated two Interest Rate Swap contracts with primary banks, connected to the interests which will be paid on the actual indebtedness and the indebtedness forecasted for the following years. For these Interest Rate Swaps, the Parent Company has paid premiums for Lire 36 million.

The value of the two contracts at December 31, 2000 does not significantly differ from their value at the date they have been stipulated.

## RESERVE FOR EMPLOYEE TERMINATION INDEMNITIES

The movement on this reserve for the year is as follows (in millions of Lire):

<b>Balance as of December 31, 1999</b>	<b>26,863</b>
• Accruals	6,697
• Indemnities paid during the period	(3,902)
• Changes in consolidation area	779
• Translation differences	28
<b>Balance as of December 31, 2000</b>	<b>30,465</b>

### DEBTS

#### A) BANKS

Bank liabilities are as follows:

	Balance as of December 31, 2000				December 31, 1999 Balance
	Total	Within 1 year	Between 1 and 5 years	More than 5 years	
• Current accounts	3,817	3,817	–	–	3,534
• Advances on export operations	82,781	82,781	–	–	128,578
• San Paolo - IMI Loans	33,119	3,710	18,953	10,456	29,627
• Other financings	138,540	39,182	97,929	1,429	42,255
<b>Total</b>	<b>258,257</b>	<b>129,490</b>	<b>116,882</b>	<b>11,885</b>	<b>203,994</b>

As of December 31, 2000, banks grant credit lines to consolidated companies for Lire 305,201 million, of which Lire 55,697 million for current accounts and Lire 249,504 million for advances on export operations and other short term credit lines.

The effect of the acquisitions is as follows:

• GS bank liabilities	26,084	of which due after 1 year	25,960
• Kilian KG bank liabilities	19,890	of which due after 1 year	–
• Liabilities arising from the Kilian KG acquisition	57,208	of which due after 1 year	55,521
• Liabilities arising from Medinvest 9.5% acquisition	2,905	of which due after 1 year	–
<b>Total</b>	<b>106,087</b>		<b>81,481</b>

Loans and financing are for Lire 83,850 million in Lire, for Lire 67,800 million in Euro, for Lire 19,992 million in German Marks and for Lire 17 million in Indian Rupees.

Loans and financing are guaranteed by the following:

- Banking guarantees for Lire 32,245 million
- Securities held in pledge of Lire 9,865 million

Moreover, part of the outstanding financings are covered by a guarantee issued by the parent company, on which execution can be levied on a simple request basis.

The loans granted by San Paolo – IMI, mainly disbursed to the parent company, are described below:

- Lire 16,389 million (of which Lire 3,223 million disbursed during the year) related to the first part of a financing loan amounting to Lire 18,706 million, granted by IMI in relation to the new applied research program called “Automatic packaging machines with new technology: ultrasound, product mass control, functional modular working for sterile and oral liquids, application for intravenous drip”. The financing will run over a ten-year period and has to be reimbursed in 12 half-yearly payments, starting from January 1, 2004 up to July 1, 2009 at market interest rate amounting to 6.40%, reduced to an effective yearly interest rate amounting to 1.28% by grants made available under Law 346 of August 5, 1988. The financing is covered by guarantees issued by banks.
- Low-interest loan of Lire 1,687 million for Applied Pharmaceutical Research, to be reimbursed in 12 half-yearly payments (the first due on January 1, 1996). The market interest rate of 13.43% has been reduced to an effective annual rate of 2.04% by grants made available under Law 346 of August 5, 1988. During the year, the loan has been reimbursed for Lire 1,482 million.
- Lire 10,887 million low-interest loan for New Advanced Technologies Project to be reimbursed in 12 half-yearly payments (the first due on January 1, 2000). The market interest rate of 13.25% has been reduced to an effective annual rate of 1.9875% by grants made available under Law 346 of August 5, 1988. During the year, the loan has been reimbursed for Lire 1,474 million.

Furthermore, during the accounting period, BFB S.p.A. has received by S. Paolo IMI the first part of the loan decreed by the Ministry of University and Scientific Research (MURST), which has allowed the grants provided by the “Applied Research Special Fund” to a BFB S.p.A. project called “Robotic automation for end of line machinery”. The estimated investment amount has been admitted for Lire 9,421 million and it should be carried on within June 24, 2002. The total financing provided by the MURST will amount to Lire 7,536 million, of which Lire 6,594 as subsidized financing and Lire 942 million as sunk capital. The duration of such financing is ten years, with redemption in 12 six-monthly payments, starting from January 1, 2003 up to July 1, 2008: the interest rate amounts to 1%.

On February 28, 2001, a second tranche of this financing, amounting to Lire 1,771 million (in addition to Lire 253 million as sunk capital) has been disbursed.

The loan is subject to compliance with financial covenants on the consolidated financial statements.

The subsidized financing, according to Law 46/82, amounting to Lire 5,995 million, allowed in the previous year by the Industry Ministry to IMA S.p.A. in order to finance the research project “Innovative family of automatic machinery for the packaging of pharmaceutical and cosmetic products” should be disbursed within December 2001. The total amount of the research project is expected to be of Lire 17,129 million over a five-year period. The financing duration is 15 years, of which 5 pre-redemption at 3.3% yearly rate and 10 years of redemption at 0.825% yearly rate.

On January 31, 2001, two further subsidized financings, according to Law 46/82, have been decreed by the Ministry of University and Scientific Research (MURST):

- The first one, amounting to Lire 2,705 million, has been allowed for a research project related to a new automatic production line for primary packaging. The estimated investment amount has been admitted for Lire 4,509 million and it should be carried on over a four-year period. The loan provided by the Ministry will run over a 12 year period, of which 8 years of redemption, in 16 six-monthly payments, at 1% six-monthly rate. The financing will totally be disbursed during the 2001.
- The second one is related to a project called “New dosing technologies for limited flowability pharmaceutical powders”. The estimated investment amount has been admitted for Lire 2,288 million and it will be financed for the 60% by the Ministry. The loan will run over a 8 year period and will be reimbursed by six-monthly payments, at 1% six-monthly rate.

Both the financings are covered by guarantees issued by Finvacchi S.p.A., parent company of IMA S.p.A.

## OTHER FINANCINGS

The most relevant changes with respect to previous accounting period relate to reimbursements made under contract terms for Lire 18,957 million and to new financings for Lire 41,229 million, mainly related to:

- Two financings amounting to Lire 10,000 million each, disbursed by INTERBANCA S.p.A., reimbursable by 14 six-monthly payments up to 2007, at an interest rate respectively corresponding to Euribor plus a 0.57% spread and to a fixed rate equal to 5.97%. The loans are subject to compliance with certain financial covenants on the consolidated financial statements.
- A loan amounting to Euro 11 million, disbursed on May 2000 by a pool of banks constituted of DEUTSCHE BANK (leading bank), Banca Agricola Mantovana, Banca Commerciale Italiana and Rolo Banca 1473, reimbursable by 10 six-monthly payments starting from November 2000, up to May 2005, at an interest Euribor plus a 0.50% spread and to a fixed rate equal to 5.97%. The loan is subject to compliance with certain financial covenants on the consolidated financial statements.

The other financing still outstanding at December 31, 2000 are mainly related to the followings:

- Medio Credito Lombardo, amounting to Lire 7,500 million at December 31, 2000, reimbursable by 8 quarterly payments starting from December 1999, up to 2001, at the rate of EURIBOR plus a spread.
- Interbanca, amounting to Lire 8,000 million at December 31, 2000, reimbursable by 10 six-month payments starting from June 2000, up to 2004, at the rate of EURIBOR plus a spread.
- Interbanca, amounting to Lire 6,500 million at December 31, 2000, reimbursable by 8 six-month payments starting from October 1999, up to 2003, at the rate of EURIBOR plus a spread.

The above financings are subject to compliance with certain financial covenants on the consolidated financial statements.

### **B) OTHER FINANCERS**

The item is related to advances received by banks for receivables which should be collected in the next accounting period.

### **C) ADVANCES**

This balance includes advances received from customers for supplies not carried out. With respect to the previous year, the balance has increased by Lire 3,061 million, as a consequence of the acquisitions above described, and has decreased by Lire 6,009 million, as the order taking activity has been highly concentrated at year end, so that the related advances have not been collected in the year 2000.

### **D) SUPPLIERS**

The increase of payables due within the next accounting period, amounting to Lire 42,834 million, has been generated by both the above disclosed acquisitions (Lire 13,259 million) and the significant increase of turnover, together with its high concentration at year end (Lire 29,575 million).

Payables due after next accounting period amount to Lire 1,057 million and relate to the purchase of a new 3 D design software, whose period of payment has been extended over five years.

#### **E) PAYABLES TO SUBSIDIARIES, ASSOCIATED COMPANIES AND THE PARENT COMPANY**

This balance is composed as follows:

	December 31, 2000	December 31, 1999	Differences
Payables to subsidiaries			
• Ima Lanka	12	57	(45)
Payables to associated company			
• B.C. S.r.l.	1,160	995	165
Payables to parent company			
• Fin-Vacchi S.p.A.	-	26	(26)
<b>Total</b>	<b>1,172</b>	<b>1,078</b>	<b>94</b>

#### **F) TAXES**

The item was made up as follows (in millions of Lire):

	December 31, 2000	December 31, 1999	Differences
• Income taxes	5,093	1,553	3,540
• IRPEF (employee withholding taxes)	3,003	2,968	35
• VAT	739	1,085	(346)
• Other	2,757	1,644	1,113
<b>Total</b>	<b>11,592</b>	<b>7,250</b>	<b>4,342</b>

Income taxes are stated net of tax advances, withholding taxes and tax credits.

The amount of income tax payables includes Lire 2.492 million arising from the acquisitions performed during the year.

The Parent Company, IMA S.p.A., has fiscal years starting from 1995 still open to definition, but disputes are in place with reference to the fiscal years from 1987 to 1992, as explained below. No significant liabilities are expected in addition to those provided in the financial statements as of December 31, 2000.

During 1993, IMA – Industria Meccaniche Automatiche S.p.A. received a fiscal inspection for the fiscal year from 1987 to 1992, the consequence of which was the notification of tax assessments for the fiscal years from 1987 to 1992. As a consequence, IMA presented instance of refusal and claim.

The group's management and its tax consultants believe that no significant liabilities exist, not provided in the financial statements.

Moreover, a tax audit concerning direct and indirect taxes for the years 1999 and 2000 is currently in place. Although it is not possible to foresee the outcome of this tax audit, based on what risen up today and on the tax consultants' opinion as well, the group's management believes that no significant liabilities exist, not reflected in the financial statements.

Finally, during the first half of 2000, the Parent Company has collected from its customers the total amount (Lire 5,223 million) paid during the period to the Tax Authorities in UK for the VAT due on the sales realized in that country from 1997 up to 1999. Consequently, no loss has resulted for the Parent Company and the group.

#### **G) PROVIDENT AND SOCIAL SECURITY INSTITUTIONS**

This balance represents payables due at the end of the year to these institutions for both the Group and the employee share relating to the December salaries and wages.

## H) OTHER PAYABLES

The caption is composed as follows (in millions of Lire):

	December 31, 2000	December 31, 1999	Differences
• Payables to employees	15,006	11,935	3,071
• Payables to agents	-	3,113	(3,113)
• Other	14,159	4,031	10,128
<b>Total</b>	<b>29,165</b>	<b>19,079</b>	<b>10,086</b>

The effect of the above disclosed acquisitions with reference to the Other payables amounts to Lire 3,400 million. The item "other" (amounting to Lire 14,159 million) includes Lire 8,713 million related to the Medinvest International S.C.A. capital subscription still to be paid up at December 31, 2000. The payables to agents have been classified as payables due to suppliers in the consolidated financial statements as of December 31, 2000.

## ACCRUED EXPENSED AND DEFERRED INCOME

The balance is composed of the following (in millions of Lire):

	December 31, 2000	December 31, 1999	Differences
Accrued liabilities			
• Interest on financial debts	1,965	1,530	435
• Insurances	352	195	157
• Other	1,156	1,788	(632)
	3,473	3,513	(40)
Deferred income			
• Interest from customers	1,069	912	157
• Installation and testing costs	6,002	2,588	3,414
• Other	1,214	770	444
	8,285	4,270	4,015
<b>Total accrued expenses and deferred income</b>	<b>11,758</b>	<b>7,783</b>	<b>3,975</b>

The increase of deferred income is mainly due to the increase of the item "installation and testing costs", resulting from the growth of turnover and its high concentration at year end. The effect of the above disclosed acquisitions with reference to this caption amounts to Lire 682 million.

## 10) MEMORANDUM ACCOUNTS

### PERSONAL GUARANTEES GRANTED

This balance includes personal guarantees granted for payables and other debentures.

#### A) GUARANTEES

As of December 31, 2000, this balance includes insurance policies for Lire 2,700 million for VAT receivables, guarantees for Lire 1,380 for delayed payments related to patents purchases, guarantees related to advances still to be collected and to the performances of our machineries for Lire 11,120 million and guarantees for Lire 3,952 million in favour of others.

## B) ENDORSEMENTS

At December 31, 2000, the Company has not founded any guarantees by endorsements.

## COMMITMENTS

As of December 31, 2000 commitments amount to Lire 125,735 million and concern mainly transactions to sell foreign currencies and currency options related to commercial activities that will take place in the next years.

The significant increase is mainly due to the different strategy pursued by the group in order to face the currency risk. As a matter of fact, considering the weakening of the US Dollar forecasted in the 2001, the group has covered also the currency risk inherent orders still to be taken. Moreover, a part of the commitment increase is related to the coverage of specific currency risks facing a very significant order taken by the Parent Company, whose deliveries are scheduled starting from 2002 up to 2005.

The caption includes Lire 1,754 million, resulting from the commitment of the parent company to purchase the 24% of Comitec S.r.l. from third parties, according to what agreed in the preliminary contract signed on November 2000. Such amount is net of advances paid, amounting to Lire 125 million, classified among the "other receivables".

## RISK ACCOUNTS

### A) NOTES DISCOUNTED

At December 31, 2000, such notes amount to Lire 5,584 million.

### B) RECEIVABLES SOLD TO FACTORING COMPANIES

As of December 31, 2000, the item amounts to Lire 5,386 million and relates to the sale "pro-solvendo" of VAT receivables, made in previous years.

## GUARANTEES RECEIVED

As of December 31, 2000 they relate to guarantees given by the stock holders in favour of banks.

## 11) COMMENTS ON THE PRINCIPAL INCOME STATEMENT BALANCES

### A) REVENUES

Revenues by Geographical Area.

	December 31, 2000	December 31, 1999	Differences
• Italy	38,628	43,096	(4,468)
• EU countries	186,189	177,593	8,596
• Other European countries	50,800	29,604	21,196
• North America	109,358	84,559	24,799
• Far East	80,107	43,817	36,290
• Other	105,843	74,501	31,342
<b>Total</b>	<b>570,925</b>	<b>453,170</b>	<b>117,755</b>

The variation analysis by geographic area and by division has been included in the report on operations.

## INTEREST AND FINANCIAL EXPENSES

### A) INCOME FROM INVESTMENTS - DIVIDENDS AND OTHER INCOMES FROM SUBSIDIARIES

The item is related to a tax receivable due to IMA Verpackungssysteme GmbH - parent company of Kilian GmbH & Co. KG - from the German tax authorities, resulting from the change of Kilian GmbH & Co. KG, previously a joint-stock company, into a partnership, according to the tax law in place in Germany.

### B) INTERESTS AND OTHER FINANCIAL CHARGES

The balance is composed of the following:

	December 31, 2000	December 31, 1999	Differences
• Interest to bank	12,958	8,126	4,832
• Exchange differences	19,054	14,012	5,042
• Interest on discounted notes	1,718	384	1,334
• Other	4,161	1,853	2,308
<b>Total</b>	<b>37,891</b>	<b>24,375</b>	<b>13,516</b>

Moreover, in the item "interest and financial incomes" are included positive exchange differences for Lire 16,792 million and premiums related to forward currency transactions for Lire 1,796 million. The effect of the above disclosed acquisitions with reference to this caption amounts to Lire 4,155 million.

## ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

The write-down by Lire 18 million is related to J.O.I. Pack Co. Ltd.; the revaluation by Lire 194 million is related to B.C. S.r.l.: both the companies are consolidated using the equity method.

## EXTRAORDINARY INCOME AND EXPENSES

This balance is composed of the following:

### A) INCOME

	December 31, 2000	December 31, 1999	Differences
• Deferred taxes	-	1,693	(1,693)
• Gain on land disposal	-	3,371	(3,371)
<b>Total</b>	<b>-</b>	<b>5,064</b>	<b>(5,064)</b>

During 1999, some Group companies, following the completion of the Group restructuring process, generating a change in their perspective profitability, have accounted for prepaid taxes for the first time. Prepaid taxes related to prior periods have been accounted for in the extraordinary items.

The gain on land disposal was related to the sale of an agrarian area located in Ozzano Emilia, subsequently turned in a building area. The part of this area which has been sold is that exceeding the needs of the Group, considering its future development.

## INCOME TAXES

Following the change of Kilian GmbH & Co. KG from a joint-stock company into a partnership, for income tax purposes, the income of this company is joined together with the income of its parent company (IMA Verpackungssysteme GmbH). The resulting total income is therefore taxed by IMA Verpackungssysteme GmbH.

## RELATED PARTIES TRANSACTIONS

The Profit and Loss for the year ended December 31, 2000 includes costs amounting to Lire 4,851 incurred with reference to related parties, mainly connected to travel expenses, consultant fees and rental expenses.

### PERSONNEL

During 2000 IMA Group employed on average n. 2,121 people made up as follows:

	December 31, 2000	December 31, 1999	Differences
• Managers	109	91	18
• Clerks	1,327	1,113	214
• Workers	685	551	134
<b>Total</b>	<b>2,121</b>	<b>1,755</b>	<b>366</b>

For a better understanding of the above table, it should be noted that the item “Managers” includes 60 foreign companies’ employees to be considered as “Clerks” following the Italian law.

The above disclosed acquisitions have generated a personnel increase by 264 units.

### BOARD OF DIRECTORS AND STATUTORY AUDITORS’ FEES

Parent Company’s Managers and statutory auditors took a reward for similar duty carried out in Group’s companies for Lire 1,315 million and Lire 145 million respectively.

## 12) INFORMATION REQUIRED BY DECREE 58 OF FEBRUARY 24, 1998

In accordance with Decree 58 of February 24, 1998, the amounts that IMA S.p.A. and other Group companies have paid for any purpose and in any form to Directors, Statutory Auditors, and the General Manager are reported below.

**AMOUNTS PAID TO DIRECTORS, STATUTORY AUDITORS  
AND GENERAL DIRECTOR**

(IN MILLION OF LIRE)

Name	Company	Office	Office Duration	Office Rewards	Benefits not Monetary	Bonuses and other benefits	Other Rewards	
							Type	Amount
Vacchi Marco	IMA S.p.A.	President	Total year	630.0				
	IMA S.p.A.	Ex. Com. Pres.	Part of the year	3.3				
	BFB S.p.A.	Director	Total year	3.0				
	Libra P.T. s.r.l.	Director	Total year	6.0				
	Soteco Italia s.r.l.	President	Total year	10.0				
	I.M.A. Est GmbH	President	Total year	7.0				
	IMA GmbH	President	Total year	5.9				
	IMA France Eurl	President	Total year	7.4				
	IMA N.A. Inc.	President	Total year	10.8				
IMA U.K. Ltd.	President	Total year	9.5					
Vacchi Alberto	IMA S.p.A.	Managing	Total year	160.0	10.0	80.0	Wage	211.5
	IMA S.p.A.	Ex.Com.Mem.	Part of the year	3.3				
	BFB S.p.A.	Director	Total year	3.0				
	Libra P.T. s.r.l.	Director	Total year	6.0				
	I.T. s.r.l.	President	Total year	8.0				
	Value Machinery	Director	Total year	8.8				
Benedetti Gino	IMA S.p.A.	Director	Part of the year	22.0				
Malagoli Andrea	IMA S.p.A.	Director	Total year	30.0	6.8	60.0	Wage	193.4
	IMA S.p.A.	Ex.Com.Mem.	Part of the year	3.3				
	BFB S.p.A.	Director	Total year	3.0				
	GS Coat. Sys. s.r.l.	Director	Total year	6.0				
	Libra P.T. s.r.l.	Director	Total year	6.0				
	I.T. s.r.l.	Director	Total year	6.0				
	Value Machinery	Director	Total year	8.4				
Minguzzi Italo G.	IMA S.p.A.	Secretary and Director	Total year	90.0			Consul. fee	18.4
Opromolla Paolo	IMA S.p.A.	Director	Part of the year	9.8				
	IMA S.p.A.	Ex.Com.Mem.	Part of the year	3.3				
Poggi Luca	IMA S.p.A.	Director	Total year	30.0			Consul. fee	193.6
	IMA S.p.A.	Ex.Com.Mem.	Part of the year	3.3				
	BFB S.p.A.						Consul. fee	66.2
	Info Area s.r.l.						Consul. fee	20.4
	GS Coat. Sys. s.r.l.						Consul. fee	204.0
Schiavina Maria C.	IMA S.p.A.	Director	Total year	30.0				
Vacchi Gianluca	IMA S.p.A.	Director	Total year	30.0	1.7		Wage	55.3
Visentini Stefano	IMA S.p.A.	General Manager	Total year	30.0	5.3	160.0	Wage	558.3
	IMA S.p.A.	Ex.Com.Mem.	Part of the year	3.3				
	BFB S.p.A.	Director	Total year	3.0				
	Soteco Italia s.r.l.	Director	Total year	5.0				
	I.M.A. Est GmbH	Director	Total year	7.0				
	IMA GmbH	Director	Total year	5.9				
	IMA France Eurl	Director	Total year	7.4				
	IMA N.A. Inc.	Director	Total year	10.8				
	IMA U.K. Ltd.	Director	Total year	9.5				
Comini Giorgio	IMA S.p.A.	Auditors' pres.	Total year	35.6				
Cazzola Amedeo	IMA S.p.A.	Auditor	Total year	25.5				
	BFB S.p.A.	Auditors' pres.	Total year	21.0				
	Libra P.T. s.r.l.	Auditor	Total year	10.0				
Renzulli Rocco	IMA S.p.A.	Auditor	Total year	25.5				
	BFB S.p.A.	Auditor	Total year	14.0				
	Libra P.T. s.r.l.	Auditor	Total year	10.0				

## DIRECTORS, STATUTORY AUDITORS AND GENERAL DIRECTOR INVESTMENTS

(IN MILLION OF LIRE)

Name	Company	Number of shares hold at the end of the previous year	Number of shares purchased during the year	Number of shares sold during the year	Number of shares hold at the end of the year
Benedetti Gino	IMA S.p.A.	100,000	–	5,000	95,000
Malagoli Andrea	IMA S.p.A.	10,000	–	10,000	–
Poggi Luca	IMA S.p.A.	86,000	–	39,000	47,000
Vacchi Alberto	IMA S.p.A.	1,751,500	997,500	2,351,500	397,500
Vacchi Gianluca	IMA S.p.A.	3,347,500	1,077,000	3,727,000	697,500
Visentini Stefano	IMA S.p.A.	45,000	5,500	–	50,500

## APPENDICES

These appendices contain information in addition to that given in the notes, of which they form an integral part. This information is contained in the following appendices:

- Statement of changes in consolidated stockholders' equity accounts in the years ended December 31, 2000 and 1999.
- Statements of consolidated cash flows for the years ended December 31, 2000 and 1999.
- Consolidated statement of income presented according to international practice for the years ended December 31, 2000 and 1999.
- Consolidated balance sheet as of December 31, 2000 and 1999 translated into Euro
- Consolidated statement of income for the years ended December 31, 2000 and 1999 translated into Euro
- Consolidated statement of income presented according to international practice for the years ended December 31, 2000 and 1999 translated into Euro
- Consolidated segment information, according to CONSOB circular n. 98084143 issued on October 27, 1998.

## STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999 (IN MILLION OF LIRE)  
(TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

Description	Capital stock	Share Premium Reserves	Revaluation Reserves	Legal Reserves	Reserve for Treasury Stock	Other	Accumulated Translation Adjustments	Retained Earnings	Group Net Income	Group Equity Stockholders' Equity
<i>Balance as of December 31, 1998</i>	36,100	31,720	765	2,677	6,944	2,857	(69)	22,593	23,166	126,703
Allocation of 1998 income:										
- legal reserves	-	-	-	-	-	-	-	-	-	-
- dividends	-	-	-	-	-	-	-	-	(11,469)	(11,469)
- reserves	-	-	-	1,084	-	9,601	-	-	(10,685)	-
- retained earnings	-	-	-	-	-	-	-	962	(962)	-
Sale of own shares	-	-	-	-	(16,436)	16,436	-	-	-	-
Purchase of own shares	-	-	-	-	20,266	(20,266)	-	-	-	-
Translation adjustment	-	-	-	-	-	-	2,128	-	-	2,128
Group net income	-	-	-	-	-	-	-	-	30,162	30,162
<i>Balance as of December 31, 1999</i>	36,100	31,720	765	3,761	10,774	8,628	2,059	23,555	30,162	147,524
Allocation of 1999 income:										
- legal reserves	-	-	-	-	-	-	-	-	-	-
- dividends	-	-	-	-	-	-	-	-	(13,690)	(13,690)
- reserves	-	-	-	4,980	-	9,313	-	-	(14,293)	-
- retained earnings	-	-	-	-	-	-	-	2,179	(2,179)	-
Sale of own shares	-	-	-	-	(12,323)	12,323	-	-	-	-
Purchase of own shares	-	-	-	-	3,603	(3,603)	-	-	-	-
Translation adjustments	-	-	-	-	-	-	515	-	-	515
Group net income	-	-	-	-	-	-	-	-	29,444	29,444
<i>Balance as of December 31, 2000</i>	36,100	31,720	765	8,741	2,054	26,661	2,574	25,734	29,444	163,793

## STATEMENT OF CONSOLIDATED CASH FLOW

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999 (IN MILLION OF LIRE)  
(TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

	2000	1999
A. OPENING NET SHORT TERM FINANCIAL INDEBTEDNESS	(42,654)	(36,006)
B. CASH FLOW GENERATED BY (USED IN) OPERATIONS		
- Group net income	29,444	30,162
- Depreciation and amortization	24,659	17,590
- (Gain) or loss on disposal of fixed assets	(145)	(3,409)
- (Revaluation) or write-down of fixed assets	(176)	35
- Net change in reserve for employee termination indemnties	3,602	2,240
Cash flow from operation before changes in working capital	57,384	46,618
- (Increase) decrease in current receivables	(22,176)	(27,420)
- (Increase) decrease in inventories	(27,556)	(2,758)
- Increase (decrease) in amounts due to suppliers and other liabilities	55,174	(2,225)
- Increase (decrease) in reserve for risk and charges	2,022	(2,668)
- Other (net)	3,963	(97)
	68,811	11,450
C. CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES		
Fixed asset investments:		
- Intangibles	(75,739)	(7,143)
- Tangibles	(21,590)	(13,804)
- Financial	(11,811)	(5,624)
Selling price or value of reimbursement of fixed assets	2,190	5,732
Consolidation area variations	(6,976)	(28)
	(113,926)	(20,867)
D. CASH FLOW GENERATED BY (USED IN) FINANCIAL ACTIVITIES		
- Increase in long term debts (net)	80,719	13,031
	80,719	13,031
E. CHARGES IN SHAREHOLDERS' EQUITY		
- Distribution of profits	(13,690)	(11,469)
	(13,690)	(11,469)
F. EXCHANGE DIFFERENCE VARIATION	235	1,207
G. CONSOLIDATION AREA VARIATIONS, NET	-	-
H. CASH FLOW FOR THE YEAR (B+C+D+F+G)	22,149	(6,648)
I. CLOSING NET SHORT TERM INDEBTNESS (A + H)	(20,505)	(42,654)

**CONSOLIDATED STATEMENTS OF INCOME PRESENTED  
ACCORDING TO INTERNATIONAL PRACTICE**

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999 (IN MILLION OF LIRE)  
(TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

	2000	1999
- <i>Net sales</i>	567,718	462,543
- <i>Other sales</i>	3,081	2,516
<b><i>Total net sales</i></b>	<b>570,799</b>	<b>465,059</b>
- <i>Cost of sales</i>	(305,136)	(247,569)
<b><i>Gross profit</i></b>	<b>265,663</b>	<b>217,490</b>
<i>% on total net sales</i>	46.5%	46.8%
- <i>Research and development expenses</i>	(34,487)	(24,783)
- <i>General and administrative expenses</i>	(75,585)	(66,097)
- <i>Selling and commercial expenses</i>	(80,765)	(63,249)
<b><i>Operating profit before the amortization of the goodwill and the differences on consolidation</i></b>	<b>74,826</b>	<b>63,361</b>
<i>% on total net sales</i>	13.1%	13.6%
- Amortization of goodwill and differences on consolidation	(6,338)	(2,290)
<b><i>Operating profit</i></b>	<b>68,488</b>	<b>61,071</b>
<i>% on total net sales</i>	12.0%	13.1%
- <i>Other charges (income):</i>		
Financial expenses	(37,891)	(24,375)
Financial income	27,808	16,828
Adjustments in financial activities	176	(35)
Other (net)	(32)	(274)
	(9,939)	(7,856)
<b><i>Income before extraordinary items, taxes and minority interest</i></b>	<b>58,549</b>	<b>53,215</b>
- <i>Net extraordinary expenses (income)</i>	(2,982)	1,693
<b><i>Profit before income taxes</i></b>	<b>55,567</b>	<b>54,908</b>
- <i>Income taxes:</i>		
Current	(24,320)	(23,764)
Deferred	(663)	(129)
	(24,983)	(23,893)
<b><i>Net income including minority interest</i></b>	<b>30,584</b>	<b>31,015</b>
- <i>Minority interest</i>	1,140	853
<b><i>Group net income</i></b>	<b>29,444</b>	<b>30,162</b>

## CONSOLIDATED BALANCE SHEET TRANSLATED INTO EURO

AS OF DECEMBER 31, 2000 AND COMPARISON WITH DECEMBER 31, 1999  
(IN THOUSANDS OF EURO)  
(TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

ASSETS	December 31, 2000	December 31, 1999
<b>A. DUE FROM SHAREHOLDERS FOR CAPITAL NOT PAID IN</b>	-	-
<b>B. FIXED ASSETS</b>		
<i>I. Intangible assets</i>		
Incorporation and subsequent expenses	411.10	100.19
Research and Development costs	7.75	11.88
Industrial patent and intellectual property rights	322.79	465.84
Concessions, licences, trademarks and similar rights	2,619.47	1,953.24
Goodwill	10,862.64	-
Differences on consolidation	27,378.41	5,445.52
Other	3,994.79	2,401.01
Intangible in progress and payments on accounts	566.04	2,160.34
<i>Total intangible assets</i>	46,162.99	12,538.02
<i>II. Tangible assets</i>		
Land and buildings	20,435.17	16,904.67
Plant and machinery	12,543.71	7,914.70
Production and commercial equipments	1,303.02	973.01
Other	4,501.95	4,246.31
Tangible in course of construction and advance payments	948.21	3,110.10
<i>Total tangible assets</i>	39,732.06	33,148.79
<i>III. Financial assets</i>		
Investments		
- subsidiaries	369.78	12.39
- associated companies	256.16	170.95
- other	6,172.69	92.96
Total investments	6,798.63	276.30
Receivables	1,581.91	1,841.17
Securities	5,094.85	5,152.69
<i>Total financial assets</i>	13,475.39	7,270.16
<b>TOTAL FIXED ASSETS (B)</b>	<b>99,370.44</b>	<b>52,956.97</b>
<b>C. CURRENT ASSETS</b>		
<i>I. Inventories</i>		
Raw materials, ancillary materials and consumables	9,385.57	5,988.32
Work in progress and semi-finished goods	61,344.75	52,112.05
Contract work in progress	6,511.49	7,373.97
Finished goods	4,690.46	2,726.38
Advances	2,018.83	1,518.90
<i>Total inventories</i>	83,951.10	69,719.62
<i>II. Receivables</i>		
Receivables due after next accounting period		
- receivables	6,619.94	1,668.16
Total receivables due after next accounting period	6,619.94	1,668.16
Receivables due within next accounting period		
- receivables	90,668.66	87,128.86
- subsidiaries	152.87	229.82
- associated companies	7.23	4.65
- parent company	2.58	2.58
- other	13,595.21	10,559.48
Total receivables due within next accounting period	104,426.55	97,925.39
<i>Total receivables</i>	111,046.49	99,593.55
<i>III. Financial assets not representing fixed assets</i>		
Own shares	1,060.80	5,564.31
Marketable securities	30.99	2,165.50
<i>Total financial assets not representing fixed assets</i>	1,091.79	7,729.81
<i>IV. Cash in bank and on hand</i>	55,584.71	50,780.62
<b>TOTAL CURRENT ASSETS (C)</b>	<b>251,674.09</b>	<b>227,823.60</b>
<b>D. PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>2,666.47</b>	<b>2,193.91</b>
<b>TOTAL ASSETS</b>	<b>353,711.00</b>	<b>282,974.48</b>

## CONSOLIDATED BALANCE SHEET TRANSLATED INTO EURO

AS OF DECEMBER 31, 2000 AND COMPARISON WITH DECEMBER 31, 1999  
(IN THOUSANDS OF EURO)  
(TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

LIABILITIES	December 31, 2000	December 31, 1999
<b>A. STOCKHOLDERS' EQUITY</b>		
<i>I. Capital stock</i>	18,644.09	18,644.09
<i>II. Share premium reserve</i>	16,382.01	16,382.01
<i>III. Revaluation reserves</i>	395.09	395.09
<i>IV. Legal reserves</i>	4,514.35	1,942.40
<i>V. Reserve for treasury stock</i>	1,060.80	5,564.31
<i>VI. Other reserves</i>	13,769.26	4,455.99
<i>VII. Accumulated translation adjustments</i>	1,329.36	1,063.39
<i>VIII. Retained earnings</i>	13,290.50	12,165.14
<i>IX. Group net income</i>	15,206.56	15,577.37
<b>GROUP STOCKHOLDERS' EQUITY</b>	84,592.02	76,189,79
<b>THIRD PARTIES CAPITAL STOCK AND RESERVES</b>	2,649.42	2,183,06
<b>GROUP AND THIRD PARTIES STOCKHOLDERS' EQUITY</b>	87,241.44	78,372,85
<b>B. RESERVES FOR RISKS AND CHARGES</b>		
Taxation reserves	-	-
Other	4,547.92	3,503.64
<b>TOTAL RESERVES FOR RISKS AND CHARGES (B)</b>	4,547.92	3,503.64
<b>C. RESERVE FOR EMPLOYEE TERMINATION INDEMNITIES</b>	15,733.86	13,873.58
<b>D. PAYABLES</b>		
Payables due after next accounting period		
- Bank	66,502.61	24,814.72
- Suppliers	545.89	818.07
Total payables due after next accounting period	67,048.50	25,632.79
Payables due within next accounting period		
- Banks short term	66,876.00	80,539.39
- Other financers	390.44	-
- Advances	21,336.38	22,858.90
- Suppliers	59,351.75	37,229.83
- Subsidiaries	6.20	29.44
- Associated companies	599.09	513.87
- Parent company	-	13.43
- Taxes	5,986.77	3,744.31
- Provident and social security institutions	3,457.68	2,789.38
- Other	15,062.47	9,853.48
Total payables due within next accounting period	173,066.78	157,572.03
<b>TOTAL PAYABLES (D)</b>	240,115.28	183,204.82
<b>E. ACCRUED EXPENSES AND DEFERRED INCOME</b>	6,072.50	4,019.59
<b>TOTAL LIABILITIES</b>	353,711.00	282,974.48
<b>MEMORANDUM ACCOUNTS</b>		
Personal guarantees granted	9,891.18	12,478.63
Real guarantees granted	-	-
Commitments	64,936.71	19,239.05
Contingencies	5,665.53	3,343.03
Other	-	-
Guarantees received	981.27	954.41
<b>TOTAL MEMORANDUM ACCOUNTS</b>	81,474.69	36,015.12

## CONSOLIDATED STATEMENT OF INCOME TRANSLATED INTO EURO

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999 (IN THOUSANDS OF EURO)  
(TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

	December 31, 2000	December 31, 1999
<b>A. VALUE OF PRODUCTION</b>		
<i>Revenues from the sale of goods and services</i>	294,858.16	234,042.77
<i>Change in work in progress, semifinished goods</i>	—	—
	3,081.18	(1,494.63)
<i>Change in contract work in progress</i>	(862.48)	3,767.55
<i>Increase in fixed assets for internal work</i>	1,247.76	302.64
<i>Other revenues and income</i>	1,906.76	2,831.73
<i>Total other revenues and income</i>	1,906.76	2,831.73
<b>TOTAL VALUE OF PRODUCTION (A)</b>	<b>300,231.38</b>	<b>239,450.06</b>
<b>B. PRODUCTION COSTS</b>		
<i>Raw materials, ancillary materials and consumables</i>	96,561.95	76,108.70
<i>Service cost</i>	62,026.99	51,415.87
<i>Expenses relating to the use of third party assets</i>	4,142.50	3,005.26
<i>Personnel</i>		
<i>salaries and wages</i>	60,465.22	45,263.32
<i>social contributions</i>	17,528.03	13,977.91
<i>employee termination indemnities</i>	3,458.71	2,839.48
<i>other</i>	840.79	1,200.76
<i>Total personnels costs</i>	82,292.75	63,281.47
<i>Depreciation, amortization and write-downs</i>		
<i>amortization of intangible fixed assets</i>	5,971.27	4,095.50
<i>depreciation of tangible fixed assets</i>	6,764.04	4,988.97
<i>write-down of receivables included in current assets</i>	1,011.22	1,133.62
<i>Total depreciation and write-downs</i>	13,746.53	10,218.09
<i>Change in raw materials, ancillary materials, consumables and goods for resale</i>	1,070.10	689.99
<i>Provision for risks and other</i>	1,634.59	353.77
<i>Other operating expenses</i>	5,835.46	4,718.87
<b>TOTAL PRODUCTION COSTS (B)</b>	<b>267,310.87</b>	<b>209,792.02</b>
<b>DIFFERENCE BETWEEN THE VALUE OF PRODUCTION AND PRODUCTION COSTS (A-B)</b>	<b>32,920.51</b>	<b>29,658.04</b>
<b>C. FINANCIAL INCOME AND EXPENSES</b>		
<i>Income from investments</i>		
<i>dividends and other income from subsidiaries</i>	830.70	—
<i>dividends and other income from associated companies</i>	56.29	—
<i>Total income from investments</i>	893.99	—
<i>Other financial income</i>		
<i>- from receivables classified under fixed assets</i>	157.52	168.88
<i>- from securities classified under current assets not representing investments</i>	—	—
<i>- capital gain</i>	—	—
<i>- interest</i>	9.30	477.21
<i>Total from securities</i>	9.30	477.21
<i>- income other than that listed above</i>		
<i>interest and financial commissions</i>	14,194.82	8,044.85
<i>Total income other than listed above</i>	14,194.82	8,044.85
<i>Interest and other financial income</i>	14,361.64	8,690.94
<i>Interest and other financial charges</i>		
<i>other</i>	19,569.07	12,588.64
<i>Total interest and other financial charges</i>	19,569.07	12,588.64
<b>TOTAL FINANCIAL INCOME AND EXPENSES (C)</b>	<b>(4,313.44)</b>	<b>(3,897.70)</b>
<b>D. ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS</b>		
<i>Revaluations</i>	100.19	0.52
<i>Write-offs</i>	(9.30)	(18.59)
<b>TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)</b>	<b>90.89</b>	<b>(18.07)</b>
<b>E. EXTRAORDINARY INCOME AND EXPENSES</b>		
<i>Income</i>	—	2,615.34
<i>Expenses</i>	—	—
<b>TOTAL EXTRAORDINARY ITEMS (E)</b>	<b>—</b>	<b>2,615.34</b>
<b>RESULT BEFORE TAXES</b>	<b>28,697.96</b>	<b>28,357.61</b>
<i>Income taxes</i>	12,560.23	12,273.08
<i>Deferred taxes</i>	342.41	66.62
<i>Total taxes</i>	12,902.64	12,339.70
<b>NET INCOME INCLUDING MINORITY INTEREST</b>	<b>15,795.32</b>	<b>16,017.91</b>
<b>THIRD PARTY NET INCOME</b>	<b>588.76</b>	<b>440.54</b>
<b>GROUP NET INCOME</b>	<b>15,206.56</b>	<b>15,577.37</b>

**CONSOLIDATED STATEMENTS OF INCOME PRESENTED ACCORDING TO  
INTERNATIONAL PRACTICE TRANSLATED INTO EURO**

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999 (IN THOUSANDS OF EURO)  
(TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

	2000	1999
- <i>Net sales</i>	293,201.88	238,883.52
- <i>Other sales</i>	1,591.20	1,299.41
<b><i>Total net sales</i></b>	<b>294,793.08</b>	<b>240,182.93</b>
- <i>Cost of sales</i>	(157,589.60)	(127,858.72)
<b><i>Gross profit</i></b>	<b>137,203.48</b>	<b>112,324.21</b>
<i>% on total net sales</i>	46.5%	46.8%
- <i>Research and development expenses</i>	(17,811.05)	(12,799.35)
- <i>General and administrative expenses</i>	(39,036.39)	(34,136.25)
- <i>Selling and commercial expenses</i>	(41,711.64)	(32,665.38)
<b><i>Operating profit before the amortization of the goodwill and the differences on consolidation</i></b>	<b>38,644.40</b>	<b>32,723.23</b>
<i>% on total net sales</i>	13.1%	13.6%
Amortization of goodwill and differences on consolidation	(3,273.30)	(1,182.69)
<b><i>Operating profit</i></b>	<b>35,371.10</b>	<b>31,540.54</b>
<i>% on total net sales</i>	12.0%	13.1%
- <i>Other charges (income):</i>		
Financial expenses	(19,569.07)	(12,588.64)
Financial income	14,361.63	8,690.94
Adjustments in financial activities	90.90	(18.07)
Other (net)	(16.53)	(141.52)
	(5,133.07)	(4,057.29)
<b><i>Income before extraordinary items, taxes and minority interest</i></b>	<b>30,238.03</b>	<b>27,483.25</b>
- <i>Net extraordinary expenses (income)</i>	(1,540.07)	874.36
<b><i>Profit before income taxes</i></b>	<b>28,697.96</b>	<b>28,357.61</b>
- <i>Income taxes:</i>		
Current	(12,560.23)	(12,273.08)
Deferred	(342.41)	(66.62)
	(12,902.64)	(12,339.70)
<b><i>Net income including minority interest</i></b>	<b>15,795.32</b>	<b>16,017.91</b>
- <i>Minority interest</i>	588.76	440.54
<b><i>Group net income</i></b>	<b>15,206.56</b>	<b>15,577.37</b>

**CONSOLIDATED SEGMENT INFORMATION ACCORDING TO  
CONSOB CIRCULAR N. 98084143 ISSUED ON OCTOBER 27, 1998**

(IN MILLIONS OF LIRE)  
(TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

	Tea	Pharmaceutical	Other sectors	Total
Net sales	90,042	459,118	18,558	567,718
Other sales	489	2,492	100	3,081
Cost of sales	38,236	256,328	10,572	305,136
<b>Gross profit</b>	<b>52,295</b>	<b>205,282</b>	<b>8,086</b>	<b>265,663</b>
<b>Operating profit</b>	<b>16,748</b>	<b>48,475</b>	<b>3,265</b>	<b>68,488</b>
Financial expenses (income)				(10,083)
Adjustments in financial activities				176
Other (net)				(32)
<b>Income before extraordinary items, taxes and minority interest</b>				<b>58,549</b>
Net extraordinary expenses (income)				(2,982)
<b>Profit before income taxes</b>				<b>55,567</b>
Income taxes				24,983
Minority interest				1,140
<b>Group net income</b>				<b>29,444</b>