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QUARTERLY REPORT FOR THE FOURTH QUARTER OF 2003

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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  
H E A D   O F F I C E :   O Z Z A N O   D E L L ' E M I L I A   ( B O L O G N A )  
C A P I T A L   S T O C K   F U L L Y   P A I D - I N :   €   1 8 , 7 7 2 , 0 0 0  
B O L O G N A   C O M P A N I E S   R E G I S T E R :   0 0 3 0 7 1 4 0 3 7 6

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## INTRODUCTION

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This report was approved by the Board of Directors on February 13, 2004.

The report was prepared in accordance with article 82 of CONSOB circular no. 11971 of May 14, 1999 and subsequent amendments.

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**REPORT ON OPERATIONS**  
AT DECEMBER 31, 2003

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**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 .  
A N D S U B S I D I A R I E S

## DIRECTORS AND OFFICERS

(in accordance with CONSOB recommendation no. 97001574 of February 20, 1997)

In addition to the powers that, by law, cannot be delegated, the Board of Directors acting together has exclusive powers to approve:

- the Company's strategic, business and financial plans and any decisions relating to the Group structure;
- any transaction likely to have a significant impact on the Company's results, assets and liabilities or financial situation and, in any case, any transaction that exceeds a value of Euro 10,000,000.00, except for the power to renew credit lines already granted to the Company, which can be delegated;
- any transactions with related parties, except for those with subsidiary companies, regarding which the Board must in any case approve all transactions that have a significant effect on operations, assets and liabilities or the financial position.

## BOARD OF DIRECTORS

(in office until approval of the financial statements as of December 31, 2005)

### CHAIRMAN AND MANAGING DIRECTOR

Marco Vacchi

*Powers:* legal representation and signature powers in accordance with article 22 of the Articles of Association;

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

- to transfer or receive for whatever purpose or reason, shares or quotas in companies, associations or entities, lines of business, businesses or combinations of businesses and real estate of any kind, except for the power to rent or rent out real estate for periods not exceeding nine years;
- to give secured or other guarantees, and give sureties or letters of patronage, except (in relation to the sureties and letters of patronage) for those given on behalf of direct or indirect subsidiaries of the Company;
- to concede real rights of enjoyment over the assets of the Company.

### MANAGING DIRECTOR

Alberto Vacchi

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

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

**DIRECTOR WITH POWERS**

Andrea Malagoli

*Delegated powers:*

- banking operations;
- signing of contracts, arrangement and administration of insurances with any insurance institution or entity covering all types of risk;
- representing the Company before civil, administrative and judicial authorities or entities at any level, as well as before any fiscal authority or fiscal tribunal;
- representing the Company for all transactions regarding the shipment, release and collection of valuables and goods.

**DIRECTORS**

Mauro Gambaro, Italo Giorgio Minguzzi, Luca Poggi, Maria Carla Schiavina, Gianluca Vacchi, Stefano Visentini, Romano Volta.

**BOARD OF STATUTORY  
AUDITORS**

(in office until April 27, 2004)

**AUDITORS**

Giorgio Comini - Chairman - Auditor

Amedeo Cazzola - Auditor

Piero Aicardi - Auditor

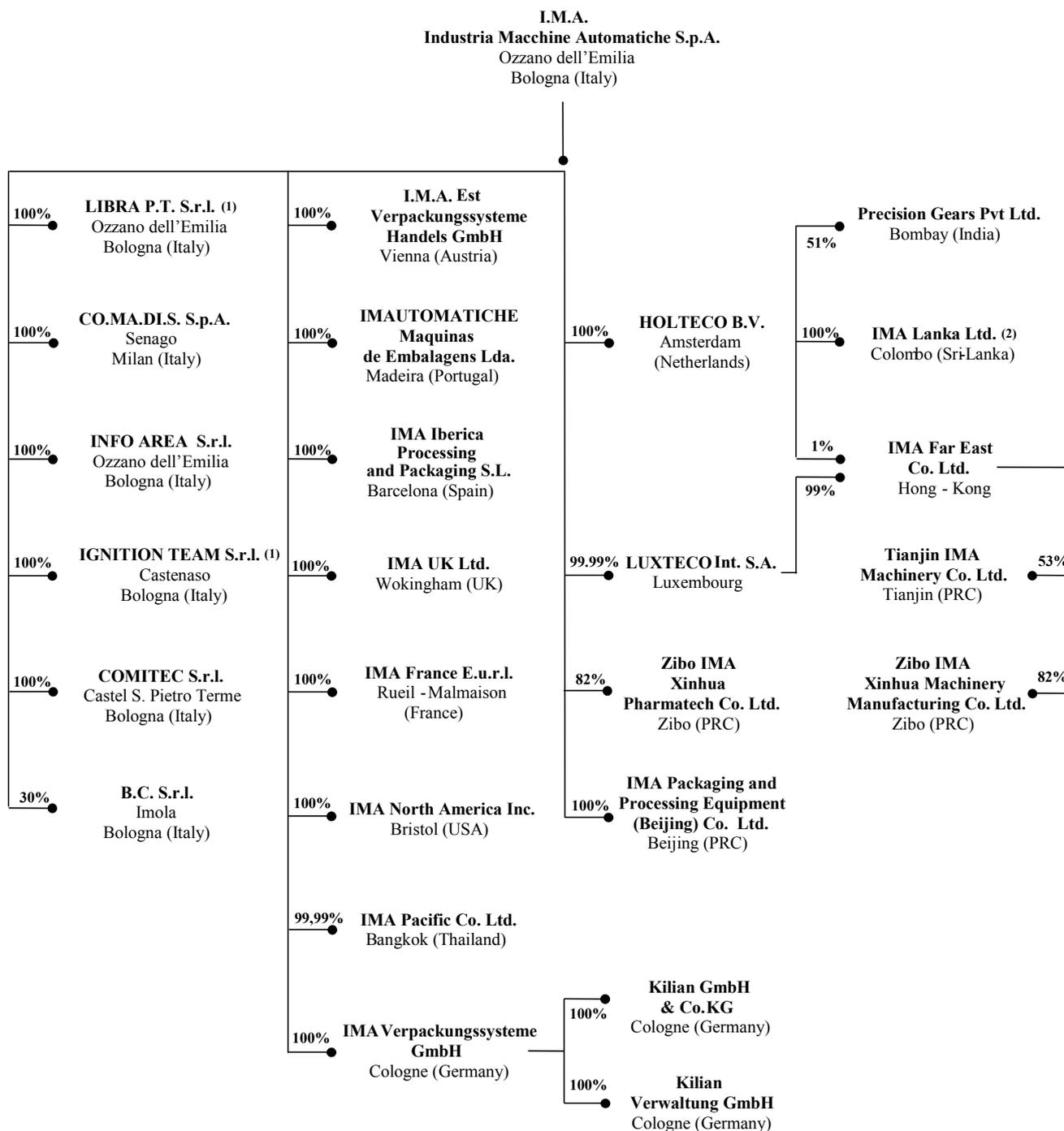
**ALTERNATE AUDITORS**

Luigi Ghermandi - Auditor

Emanuele Gnugnoli - Auditor

Chiara Gallina – Auditor

GROUP STRUCTURE



(1) Companies absorbed by IMA S.p.A., with effect from January 1, 2004

(2) Company in liquidation

## GROUP COMPANIES BY BUSINESS ACTIVITY

MANUFACTURING  
ACTIVITIES

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

**Libra P.T. S.r.l. (1)**  
Ozzano dell'Emilia  
Bologna (Italy)

**CO.MA.DI.S. S.p.A.**  
Senago - Milan (Italy)

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

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

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

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

**Zibo IMA  
Xinhua Pharmatech Co. Ltd.**  
Zibo (PRC)

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

COMMERCIAL  
ACTIVITIES

**IMA  
Verpackungssysteme GmbH**  
Cologne (Germany)

**I.M.A. Est  
Verpackungssysteme  
Handels GmbH**  
Vienna (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.**  
Bristol (USA)

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

**IMA Packaging and  
Processing Equipment  
(Beijing) Co. Ltd.**  
Beijing (PRC)

**IMA Pacific Co. Ltd.**  
Bangkok (Thailand)

**IMA Lanka Ltd (2)**  
Colombo (Sri Lanka)

OTHER  
ACTIVITIES

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

**IGNITION TEAM S.r.l. (1)**  
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 (Netherlands)

(1) Companies absorbed by IMA S.p.A., with effect from January 1, 2004;  
(2) Company in liquidation

## REPORT ON OPERATIONS

## GENERAL PERFORMANCE

The main economic indicators for the last quarter of 2003 suggest that the worst of the cycle is over and that a turning point has been reached in the United States, in Europe and, perhaps, in Japan as well. As regards Latin America, even though there are signs of recovery, it is still early days to talk about a return to significant rates of growth. Asian markets, on the other hand, are continuing to expand vigorously. All of this leaves considerable room for hope regarding world GDP in 2004, while there has already been a positive impact on the rate of growth in the pharmaceutical industry: having been 12% in the early months of 2002, it gradually fell to around 6% during the first half of 2003. The latest figure published by IMS Health for the period December 2002-November 2003 indicates a growth rate of 8%. One negative element that characterized the last quarter of 2003 was a further hefty devaluation of the US dollar against the euro (-15%), a decline triggered off by the G7 Summit in Dubai on 20 September when the USA encouraged the idea that their currencies should be more flexible. The speed and extent of such fluctuations is certainly a source of worry for a firm like ours, which is strongly projected towards exports. The short-term impact tends to be lower margins on sales, though this can be recovered in the medium-term by adjusting price lists. The greatest effect is on the Group's pharmaceutical sector as its principal markets are in North America.

The demand for new machinery from the tea-bagging industry has remained strong and the prospects look very interesting beyond 2004 as well.

## KEY FIGURES

The following are the main consolidated figures for the fourth quarter of 2003 and for the entire year, with comparative figures for the same periods last year:

in thousands of Euro	Fourth quarter		Entire year	
	2003	2002	2003	2002
<b>Net revenues</b>	<b>133,525</b>	<b>151,049</b>	<b>351,327</b>	<b>353,413</b>
Gross operating profit (EBITDA)	35,633	40,671	54,900	62,160
<i>% of total revenues</i>	<i>26.7%</i>	<i>26.9%</i>	<i>15.6%</i>	<i>17.6%</i>
Net operating income (EBIT)	31,416	36,405	39,249	47,117
<i>% of total revenues</i>	<i>23.5%</i>	<i>24.1%</i>	<i>11.2%</i>	<i>13.3%</i>
Income before taxes and minority interests	31,056	35,637	36,184	43,814
<i>% of total revenues</i>	<i>23.3%</i>	<i>23.6%</i>	<i>10.3%</i>	<i>12.4%</i>
Net debt			68,494	67,249
Order book			151,448	151,478

In the last quarter of 2003 *net revenues* amounted to 133.5 million Euro, 11.6% lower than in the same period of 2002 (151.0 million Euro), largely due to a better distribution of sales throughout the year.

Despite this, the gross operating profit for the period, expressed as a percentage of sales, remained at the same level as last year. This was possible, on the one hand, thanks to a strong rise in industrial margins: having been significantly lower than last year in the first nine months, in the last quarter they came back into line with the same period of 2002. On the other hand, the considerable efforts made to hold down marketing and general fixed costs also helped. These are very important results,

above all for the future, because the recovery in industrial margins can, at least in part, be attributed to the repeated price hikes made in dollars during the first half of the year, while the reduction in fixed costs can be largely considered "structural", as the consequence of greater efficiency in internal processes.

New orders were received in 4th quarter 2003 for a total of 98.7 million Euro (95.3 in 4th quarter 2002). The orders received from the pharmaceutical industry came to 83.4 million Euro compared with 73.7 million Euro in the last quarter of 2002, thus confirming, for the second quarter in a row, that the situation is improving on last year.

*Net sales revenues* for the entire year amount to 351.3 million Euro, substantially on a level with 2002 when they amounted to 353.4 million Euro. Certainly, this fails to maintain the growth trend that the IMA Group managed to achieve in recent years. But we still think that it should be considered a positive result given the extremely poor state of the world economy, dominated from a geo-political point of view by a series of extraordinary events. Looking at the figures in greater detail, revenues for the tea sector have seen strong growth, from 49.8 million Euro in 2002 to 57.0 million Euro in 2003 (+14.4%), while there has been a decline in those of the pharmaceutical/cosmetics sector, down from 303.6 million Euro in 2002 to 294.3 in 2003 (-3.0%). It has to be said though, that sales to the pharmaceutical/cosmetics industry, being heavily concentrated on the North American market, have been hit quite considerably by the dollar's slide against the euro. In the same way that the SARS epidemic, which led to a block on sales in China, penalized almost exclusively that sector. Comparing geographical areas with last year, sales grew at a fair rate in the European Union (+5.3%), with even stronger growth in the rest of Europe, especially in Central and Eastern Europe (+25%). In North America sales rose by 6% in dollar terms, but once they had been converted into euros, there was a contraction of 7.3%. There was a hefty decline in Asia (-20%) mainly in China because of the SARS epidemic, as mentioned previously. The South American market also slid again. As regards the impact of the change in the dollar's exchange rate with the euro, up from an average of 0.933 dollars per euro in 2002 to 1.068 in 2003, the loss of revenues can be estimated in nominal terms at around 9.7 million Euro.

Net operating income went from 47.1 million Euro in 2002 to 39.2 million Euro in 2003, falling by 2.1 points as a percentage of sales. This result is in line with what we announced in previous quarterly reports and largely reflects the changes in exchange rates, offset by lower fixed costs in R&D, marketing and general expenses.

Net financial charges in the period come to Euro 4.0 million; the change compared with last year is principally due to the 1.0 million Euro of dividends received in 2002 from a non-consolidated affiliate, which was then sold off in December for 6 million Euro.

Extraordinary income is positive because of the capital gains made on the disposal of non-strategic assets, partially offset by the charges incurred by certain Group companies (0.5 million Euro) to take advantage of the tax amnesties offered under the 2003 and 2004 Budget Laws.

This leads to income before taxes and minority interests of 36.2 million Euro compared with 43.8 million Euro last year, mainly because of the change in operating profitability discussed previously.

The consolidated order book at December 31, 2003 amounted to 151.4 million Euro, the same as at December 31, 2002. In fact, the nominal effect of the change in exchange rates can be put at 6.0 million Euro, only partially offset by raising list prices in dollars.

Net debt at December 31, 2003 amounted to 68.5 million Euro (67.2 million Euro at December 31, 2002). Given a lower bottom-line result, less capital expenditure (20.8 million Euro versus 17.8 million Euro in 2002) and higher dividends for 15.6 million Euro, the fact that net debt has remained at last year's level is mainly attributable to the effectiveness of the measures taken to hold down net working capital, as well as the proceeds of selling fixed assets that are no longer needed for the Group's core business. The improvement in net debt during the fourth quarter of the year is particularly significant, also compared with the trend this time last year.

## **OUTLOOK**

As we mentioned above, the overall volume of the order backlog at the start of the current year is exactly the same as it was at the beginning of 2003. However, within this, the tea sector's order book is up substantially (from 32.2 million Euro to 45.7 million Euro), while there has been a similar contraction in that of the pharmaceutical/cosmetics sector. In any case, we are convinced that the future trend in the pharmaceutical industry will be exactly the opposite of what it was at the start of 2003; in other words, it should be accelerating this year, whereas it was slowing down rapidly from the second half of 2002 onwards.

Based on these elements, which should be confirmed over the coming months, we are of the opinion that the IMA Group will be able to pick up the growth trend that was interrupted in 2003, with a recovery in profitability.

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**CONSOLIDATED NET FINANCIAL POSITION AND  
STATEMENT OF INCOME AS OF DECEMBER 31, 2003**

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**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 .  
A N D S U B S I D I A R I E S

## CONSOLIDATED NET FINANCIAL POSITION

AT DECEMBER 31, 2003, SEPTEMBER 30, 2003, DECEMBER 31, 2002 AND SEPTEMBER 30, 2002 (IN THOUSANDS OF EURO)

	12.31.2003	09.30.2003	12.31.2002	09.30.2002
Net debt	68,494	91,416	67,249	86,860
including:				
• liquid funds and current financial assets	(55,294)	(28,719)	(48,725)	(37,315)
• other long-term securities	(3,641)	(3,774)	(3,621)	(3,781)
• short-term financial payables	75,865	70,182	68,347	66,805
• M/L-T financial payables	51,564	53,727	51,248	61,151

## CONSOLIDATED STATEMENT OF INCOME

FOR 4TH QUARTER 2003 AND FOR THE PERIOD 01/01-12/31/2003 (IN THOUSANDS OF EURO)

STATEMENT OF INCOME	4th quarter 2003	4th quarter 2002	from 01/01/2003 to 12/31/2003	from 01/01/2002 to 12/31/2002
<b>A. VALUE OF PRODUCTION</b>				
<i>Revenues from the sale of goods and services</i>	131.374	149.116	345.633	351.480
<i>Change in work in progress, finished and semifinished goods</i>	(23.709)	(22.155)	(818)	27.658
<i>Change in contract work-in-progress</i>	1.229	1.926	4.679	1.926
<i>Increase in fixed assets for internal work</i>	1.400	650	1.608	736
<i>Other revenues and income</i>	2.204	1.372	3.653	2.315
<b>TOTAL VALUE OF PRODUCTION (A)</b>	<b>112.498</b>	<b>130.909</b>	<b>354.755</b>	<b>384.115</b>
<b>B. PRODUCTION COSTS</b>				
<i>Raw materials, ancillary materials and consumables</i>	28.777	33.312	116.197	136.029
<i>Service costs</i>	21.197	23.969	71.497	74.858
<i>Expenses relating to the use of third party assets</i>	1.394	2.008	5.429	5.672
<i>Personnel</i>	25.897	25.782	103.245	98.577
<i>Depreciations and write-downs</i>				
- amortization of intangible fixed assets	2.369	2.440	8.833	8.373
- depreciation of tangible fixed assets	1.848	1.826	6.818	6.670
- write-downs of receivables	73	229	382	634
Total depreciation and write-downs	4.290	4.495	16.033	15.677
<i>Change in raw materials, ancillary materials, consumables and goods for resale</i>	(1.414)	3.643	(493)	2.362
<i>Provision for risks and other</i>	186	530	1.043	694
<i>Other operating expenses</i>	755	765	2.555	3.129
<b>TOTAL PRODUCTION COSTS (B)</b>	<b>81.082</b>	<b>94.504</b>	<b>315.506</b>	<b>336.998</b>
<b>DIFFERENCE BETWEEN THE VALUE OF PRODUCTION AND PROD. COSTS (A-B)</b>	<b>31.416</b>	<b>36.405</b>	<b>39.249</b>	<b>47.117</b>
<b>C. FINANCIAL INCOME AND EXPENSE</b>	<b>(125)</b>	<b>(773)</b>	<b>(4.009)</b>	<b>(3.296)</b>
<b>D. ADJUSTMENTS TO FINANCIAL ASSETS</b>	<b>-</b>	<b>(2)</b>	<b>13</b>	<b>93</b>
<b>E. EXTRAORDINARY INCOME AND EXPENSE</b>	<b>(235)</b>	<b>7</b>	<b>931</b>	<b>(100)</b>
<b>RESULT BEFORE INCOME TAXES AND MINORITY INTERESTS</b>	<b>31.056</b>	<b>35.637</b>	<b>36.184</b>	<b>43.814</b>

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**EXPLANATORY NOTES**  
**AS OF DECEMBER 31, 2003**

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

## **A) ACCOUNTING POLICIES**

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The more significant accounting policies adopted in the preparation of the quarterly consolidated financial statements as of December 31, 2003 are consistent with those used in the previous quarterly and annual reports.

## **B) CONSOLIDATION PRINCIPLES**

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Consolidation is carried out on a line-by-line basis. The main criteria used in applying this method are as follows:

- The book value of consolidated investments held by the parent company or by other consolidated companies is eliminated against the Group share of their equity, while booking their assets and liabilities.
- The difference between the acquisition cost of investments and the related share of stockholders' equity at the time of acquisition is allocated, where possible, to assets to reflect their current value, while the unallocated portion is booked as "Differences on consolidation" as part of intangible assets.
- Significant transactions between consolidated companies are eliminated as are the receivables and payables and any unrealized income resulting from intercompany transactions.
- Companies acquired or sold during the period are consolidated for the period in which a majority interest was held.

## **C) CONSOLIDATION AREA**

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The quarterly report as of December 31, 2003 includes the financial and operating information of I.M.A. - Industria Macchine Automatiche S.p.A. (the Parent Company) and all the companies in which it directly or indirectly holds a controlling interest, as per art. 2359 of the Italian Civil Code, except for IMA Lanka Ltd and Kilian Verwaltung GmbH.

The following is a list of the companies included in the consolidation, with an indication of the consolidation method used:

**COMPANIES CONSOLIDATED  
ON A LINE-BY-LINE BASIS**

		Registered offices	Capital stock	Direct investments	Indirect investments
<b>Italian companies:</b>					
• I.M.A. Industria Macchine Automatiche S.p.A.	Ozzano E. (BO)	EUR	18,772,000	Parent Company	
• CO.MA.D.I.S. S.p.A.	Senago (MI)	EUR	1,540,000	100%	–
• Libra P.T. S.r.l.	Ozzano E. (BO)	EUR	1,040,000	100%	–
• Ignition Team S.r.l.	Castenaso (BO)	EUR	78,000	100%	–
• Info Area S.r.l.	Ozzano E. (BO)	EUR	98,800	100%	–
• Comitec S.r.l.	Castel S. Pietro T. (BO)	EUR	52,000	100%	–
<b>Foreign companies:</b>					
• Luxteco International SA	Luxembourg	EUR	3,600,000	99.99%	–
• Holteco B.V.	Amsterdam (Netherlands)	EUR	920,000	100%	–
• IMA UK Ltd.	Wokingham (UK)	GBP	50,000	100%	–
• IMA North America Inc.	Bristol (USA)	USD	2,500	100%	–
• I.M.A. Est Verp. Handels GmbH	Vienna (Austria)	EUR	280,000	100%	–
• IMA Verp. GmbH	Cologne (Germany)	EUR	90,000	100%	–
• IMA France E.u.r.l.	Rueil-Malmaison (France)	EUR	45,735	100%	–
• Precision Gears Pvt. Ltd.	Bombay (India)	RS	5,950,700	–	51% (1)
• IMA Far East Co. Ltd.	Hong Kong	USD	5,572,969	–	100% (2)
• Zibo IMA Xinhua Machinery Manufacturing Co. Ltd.	Zibo (PRC)	USD	800,000	–	82% (3)
• Zibo IMA Xinhua Pharmatech Co. Ltd.	Zibo (PRC)	USD	978,000	82%	–
• Tianjin IMA Machinery Co. Ltd.	Tianjin (PRC)	USD	200,000	–	53% (3)
• IMA Pacific Co.Ltd.	Bangkok (Thailand)	THB	100,000,000	99.99%	–
• IMA Packaging and Processing Equipment (Beijing) Co. Ltd.	Beijing (PRC)	USD	850,000	100%	–
• Imautomatiche Lda	Madeira (Portugal)	EUR	5,000	100%	–
• IMA Iberica Processing and Packaging SL	Barcelona (Spain)	EUR	590,000	100%	–
• Kilian GmbH & Co. KG	Cologne (Germany)	EUR	3,600,000	–	100% (4)

Note: (1) Held by Holteco B.V. – (2) Held by Luxteco Int. S.A.(99%) and Holteco B.V. (1%) – (3) Held by IMA Far East Co. Ltd. - (4) Held by IMA Verpackungssysteme GmbH

**COMPANIES VALUED USING  
THE EQUITY METHOD**

		Registered offices	Capital stock	Direct investments	Indirect investments
• B.C. S.r.l.	Imola (BO)	EUR	36,400	30%	–

## EQUITY INVESTMENTS VALUED AT COST

	Registered offices		Capital stock	Direct investments	Indirect investments
• IMA Lanka Ltd	Colombo (Sri Lanka)	RSL	975,000	–	100% (1)
• Kilian Verwaltung GmbH	Cologne (Germany)	EUR	25,000	–	100% (2)

Note: (1) Held by Holteco B.V. - (2) Held by IMA Verpackungssysteme GmbH

The investment in Kilian Verwaltung GmbH is carried at cost as it is immaterial for a true and fair representation of the consolidated financial statements.

On July 11 2003, IMA Lanka Ltd., held by Holteco B.V., was put in liquidation. The investment has been booked at cost less permanent losses in value. No significant unrecorded charges are expected to emerge as a result of this liquidation.

## OTHER INFORMATION

The following changes in the Group structure also took place during 2003:

- Absorption of BFB S.p.A. by IMA S.p.A., with effect from January 1, 2003.
- Liquidation of J.O.I. Pack Company Ltd.; liquidation proceedings ended in June 2003 without additional charges for the Group.
- On July 21, 2003 the Parent Company sold its 100% investment in Libra Immobiliare S.r.l. to third parties for 2,916 thousand euro. The disposal generated a capital gain at Group level of 1,488 thousand euro.
- As mentioned previously, a new company, Zibo IMA Pharmatec, was set up in July with registered offices in Zibo (PRC) to coordinate the Group's production and sales policies in China; In addition, IMA Far East Co. Ltd. has also increased its holding in Zibo IMA Xinhua Machinery Manufacturing Co. Ltd., reaching 82% as a result of buying 22% from Xinhua Machinery, one of the partners. This reorganization entailed setting up a new trading company in Thailand in October 2003, IMA Pacific Co. Ltd., which will be responsible for coordinating Group sales throughout South East Asia, as well as another company, IMA Packaging and Processing Equipment (Beijing) Co. Ltd., in Beijing (PRC) in December 2003.
- Liquidation of the company IMA Japan Co. Ltd.; liquidation proceedings ended on September 12, 2003 with a loss of 284 thousand euro, mainly attributable to the net result for the period.

In addition, during 2003, the directors and officers of the Group decided to merge Libra P.T. S.r.l. and Ignition Team S.r.l. with IMA S.p.A., with effect from January 1, 2004.

## D) INFORMATION ON THE CONSOLIDATED NET FINANCIAL POSITION

The Group net financial indebtedness as at 12.31.2003 totals Euro 68,494 thousand, substantially in line with the previous year (12.31.2002: Euro 67,249 thousand). For a correct analysis of net debt at December 31, 2003 it is worth noting that the total includes payables to other providers of finance of 8,272 thousand euro relating to the lease contract stipulated by Libra P.T. S.r.l. for the lease of a plot of land and an industrial building built on it, which was handed over in August 2003.

The significant improvement in the net financial position is due to the successful policy of reducing net working capital and to the proceeds from the sale of investments to third parties for 8,976 thousand euro. The cash flow generated during the year therefore made it possible to absorb all of the capital expenditure of 20,827 thousand euro (+3,008 thousand euro on the previous year) and the distribution of ordinary and extraordinary dividends of 28,559 thousand euro (+15,640 thousand euro on the previous year).

As in previous years, cash flow for the period was principally due to the maturity of various currency forward contracts and to collecting the proceeds of assigning trade receivables without recourse, as well as the 6,060 thousand euro received on sale of the investment in Medinvest International S.A., which took place during 4th quarter 2003.

The cash and current financial assets shown in the statement of net financial position are made up as follows:

- ordinary current accounts    48,837 thousand euro
- time-deposit                    5,791 thousand euro
- bonds                             340 thousand euro
- cash                                199 thousand euro
- other                               127 thousand euro