



ANNUAL REPORT 2003



CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2003

(THE CONSOLIDATED FINANCIAL STATEMENTS
HAVE BEEN TRANSLATED FROM THOSE ISSUED IN ITALY
FROM THE ITALIAN INTO ENGLISH LANGUAGE
SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

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REPORT ON OPERATIONS
CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003
(TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

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

DIRECTORS AND OFFICERS

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

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 26, 2004)

AUDITORS

Giorgio Comini - Chairman - Auditor

Amedeo Cazzola - Auditor

Piero Aicardi - Auditor

ALTERNATE AUDITORS

Luigi Ghermandi - Auditor

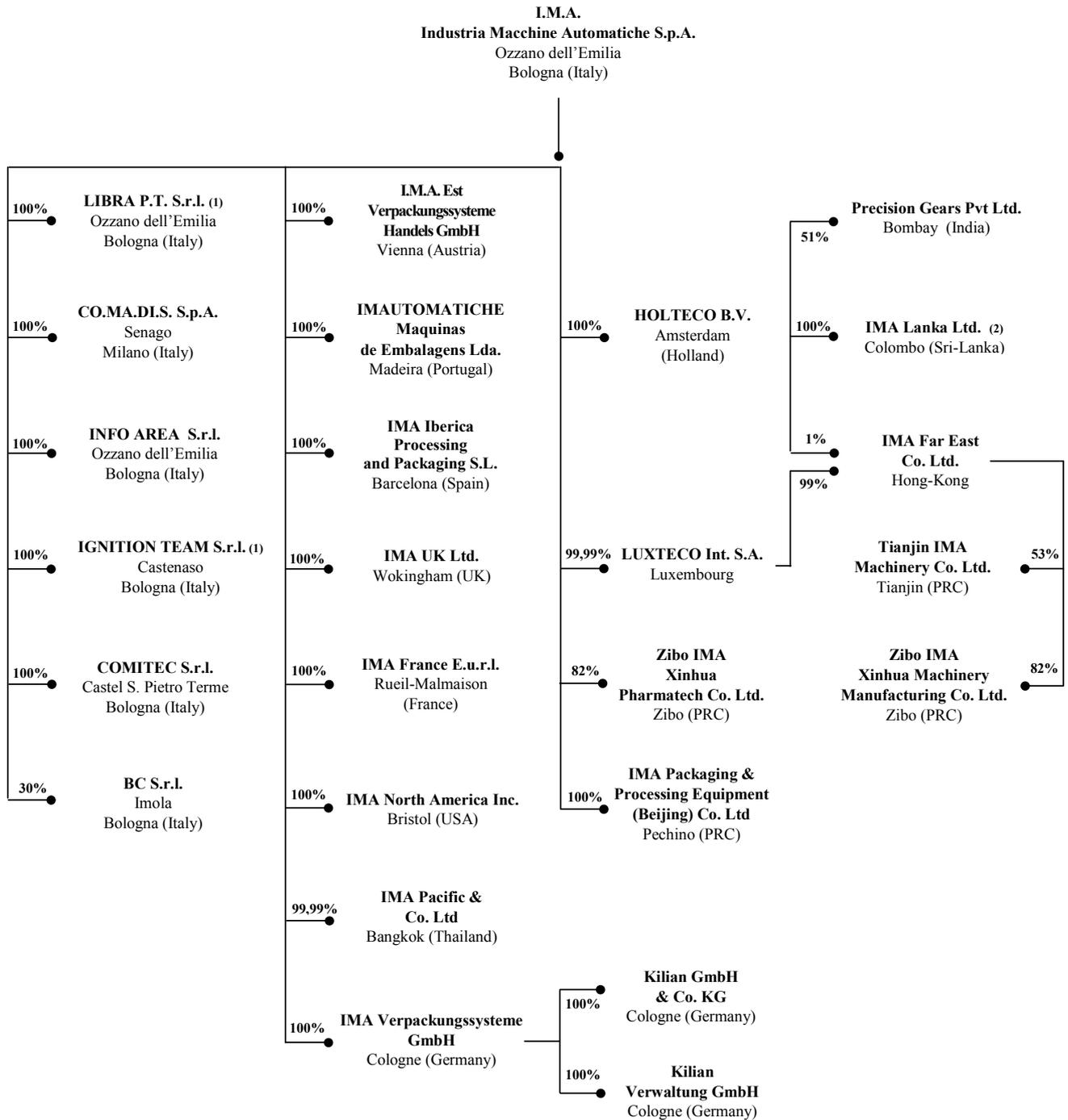
Emanuele Gnugnoli - Auditor

Chiara Gallina – Auditor

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

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)

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

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

SECTORS OF ACTIVITY

I.M.A. Industria Macchine Automatiche S.p.A. is listed in the S.T.A.R. segment of Borsa Italiana S.p.A.'s screen-traded market. The Company designs, manufactures and sells plant and machinery principally for the pharmaceutical and cosmetics sectors and for the packaging of tea bags. In addition, IMA is the holding company for a Group of industrial, commercial and service companies that also operate in the above sectors.

TEA, COFFEE AND HERBAL TEA PACKAGING

PRODUCTS

Machines for the packaging of tea and herbs in filter bags and the packaging of coffee in pods.

FACTORIES

Factory located in Ozzano dell'Emilia (Bologna) – Italy

MAIN COMPANIES

IMA S.p.A. – Tea Division

MARKETS

Producers of tea bags, herbal drinks and coffee. Dominance of Multinational Groups that, however, leave room for local operators to focus with success on specific segments and/or markets. In geographic terms, demand is still heavily concentrated in Europe and North America.

PHARMACEUTICALS PACKAGING

PRODUCTS

Machines for the packaging of capsules and tablets in blisters, for the filling of bottles and vials with liquid products and powders, under both sterile and non-sterile conditions, for cartoning and for end-of-line activities.

FACTORIES

Factories located in:

- Ozzano dell'Emilia (Bologna) – Italy
- Bentivoglio (Bologna) – Italy
- Calenzano (Florence) – Italy
- Senago - Milan (Italy)
- Bombay and Indore – India

MAIN COMPANIES

- IMA S.p.A. – Blister division, Win.Pack division, liquids and powder Filling division, Production of machines for cartoning and end-of-line activities.
- Libra P.T. S.r.l. – production of end-of-line machines usable in aseptic environments.
- CO.MA.DI.S. S.p.A. – production of tube-filling machines.
- Precision Gears Pvt. Ltd. (Bombay) production of blister and cartoning machines, mainly for the emerging nations.

MARKETS

The pharmaceuticals industry represents by far the largest market; while the cosmetics market is growing. Both sectors are dominated by multinational groups, although the activities of fast-growing local businesses cannot be overlooked, particularly in the field of biotechnology. In geographic terms, demand mostly comes from North America and Europe, although there is also strong growth in the demand from emerging nations in the Far East.

**PHARMACEUTICALS
PROCESSING****PRODUCTS**

Machines for the production of tablets and capsules, and for coating, as well as fluid-bed granulators.

FACTORIES

Factories located in:

- Ozzano dell'Emilia (Bologna) – Italy
- Cologne (Germany)
- Zibo – People's Republic of China

MAIN COMPANIES

- IMA S.p.A. - Solid dose division
- Kilian GmbH & Co. KG – production of tablet pressing machines.
- Zibo IMA Xinhua Machinery Manufacturing Co. Ltd. and Zibo IMA Xinhua Pharmatech Co. Ltd. – assembly of machines.

MARKETS

Prevalence of the pharmaceutical and health-food industries, with important prospects offered by the detergents, foods, engineering and ceramics industries. The health food industry mainly comprises local operators that are experiencing strong growth.

OTHER ACTIVITIES

The Group is completed by a number of largely commercial companies dedicated to serving the sectors of activity referred to above.

GROUP PERFORMANCE

INTRODUCTION

Stockholders,

Accordingly to preliminary estimates, worldwide gross domestic product rose by 3.4% in 2003, compared with 2.6% in 2002.

In particular, GDP increased by 3.2% in the United States (+2.2% in 2002) and by 0.5% in the EU, compared with +0.8% in 2002, while Japan experienced growth of 2.3% following a contraction of 0.3% in 2002. Outside of the OECD, GDP climbed 5% compared with +3.6% in 2002. At the same time, international trade expanded by 4% compared with +2.3% in 2002. Interestingly, the principal real indicators of economic “health” in the various geographic areas only showed signs of an improvement from mid-2003 with, in some cases, such as the United States, quite significant progress. This was undoubtedly due to the slackening of international tensions and, in certain countries, to strongly expansionary economic policies. The favourable trend has continued during the first two months of 2004, suggesting that the world economy may have overcome the phase of stagnation experienced during the second quarter of 2002 and much of 2003.

Economic conditions do however vary in the different parts of the globe. The outlook is in fact much more favourable in the United States, Japan and the emerging nations in Asia including, in particular, China and India. Conditions in the Euro-zone remain weak, even though the latest data highlights signs of an upturn in the German and French economies as a result of consumer demand and industrial investment. In Italy, by contrast, the OECD superindex fell in February 2004 for the third consecutive month and there are still no signs of a recovery in industrial production. The performance of the economies in Latin America varies by nation, although the situation remained weak for most of the year, especially in Brazil due to the restrictive monetary and fiscal policies adopted by the government.

Nevertheless, financial conditions and the climate of confidence improved considerably in the South American area during the last part of the year, laying the foundations for an upturn in production. Growth continues in Russia, stimulated by higher oil prices and strong domestic demand.

In the meantime, following significant depreciation against the Euro in 2002, the US dollar continued to weaken throughout 2003 as the exchange rate slid from 1.05 at the start of the year to 1.26 at December 31.

The temporary “Dollar area” that has arisen between the Asian countries (excluding Japan), the United States and the United Kingdom, is throwing the burden of adjusting the US balance of payments on current account onto Europe and Japan, within the appreciation of the Euro by 21% and the Yen by 15% in 2003 alone.

As mentioned, the most recent published statistics suggest that the world economy will continue to grow in 2004, although the weakness of the foundations for this should not be overlooked. First and foremost, extreme uncertainty and constant instability dominate the political, social and economic scenarios everywhere, both nationally and internationally, including in the United States.

Turning to the sectors of specific interest to the IMA Group, provisional data for the pharmaceutical industry indicates a 9% rise in the sale of pharmaceuticals in 2003, compared with 8% in 2002.

The statistics for 2003 reflect particularly slow growth during the first half of the year, followed by an acceleration of sales during the second part, while performance in 2002 stemmed from marked growth in the first semester and a sharp slowdown during the second half of the year.

The slowdown between mid-2002 and mid-2003 was essentially uniform across North America, the European Union, Japan and Australia, where the consumption of pharmaceuticals represents about 85% of world sales.

The situation in Latin America was radically different, with talk of a slowdown was replaced by a veritable collapse in demand, with troughs of -65% in Argentina and -20% in Brazil.

Demand for plant and machinery from the pharmaceutical industry has reflected these trends fairly precisely, with contained growth in Europe and the United States, and essentially absent demand from the Latin American countries, as in 2002, together with a collapse in orders from China due to the effects of the SARS epidemic, which impeded all contacts with that country for a number of months. Demand from the Middle East was also somewhat weak, due to the conflict in Iraq.

With regard to tea-packaging machines, the limited size of this market means that performance cannot properly be linked with macroeconomic conditions. However, in this regard, demand from the Asian nations, traditionally great tea drinkers, remains marginal.

Investment has continued in Eastern and Central Europe, and especially in Russia, in order to create a local tea industry that will reduce their dependence on imports.

On the other hand, demand from Europe and North America continues to focus on the replacement of obsolete machines and, as such, is not exactly expansionary.

**CONSOLIDATED
STATEMENT OF INCOME**

The Group ended 2003 with net income of 18.96 million euro, down 5.47 million euro with respect to 2002.

The following table sets out on a comparative basis the most significant figures from the Group's 2003 reclassified statement of income:

million euro	2003		2002		Change %
	Amount	%	Amount	%	
Net revenues	351.33		353.41		(0.6)
Cost of sales	(201.79)		(193.35)		
Gross industrial income	149.54	42.6	160.06	45.3	(6.6)
R&D costs	(18.21)		(18.38)		
Selling costs	(42.13)		(44.37)		
General and administrative costs	(44.87)		(45.11)		
(E.B.I.T.A.)*	44.33	12.6	52.20	14.8	(15.1)
Amortization of goodwill and consolidation differences	(5.08)		(5.08)		
Net operating income	39.25	11.2	47.12	13.3	(16.7)
Net financial income (expense)	(4.01)		(4.25)		
Adjustments to the value of financial assets and dividends	0.01		1.04		
Extraordinary items, net	0.93		(0.10)		
Result before income taxes	36.18	10.3	43.81	12.4	(17.4)
Income taxes	(16.92)		(18.98)		
Total net income including minority interests	19.26	5.5	24.83	7.0	(22.4)
Minority interests	(0.30)		(0.40)		
Group's net income for the year	18.96	5.4	24.43	6.9	(22.4)
Gross operating income (E.B.I.T.D.A.)	54.90	15.6	62.16	17.6	(11.7)
Order book	151.45		151.48		

* Net operating income before amortization of goodwill and consolidation differences

NET REVENUES BY SECTOR

million euro	2003		2002		Change %
	Amount	%	Amount	%	
Tea, coffee and herbal tea packaging	56.96	16.2	49.78	14.1	14.4
Pharmaceuticals packaging	208.52	59.4	208.35	59.0	0.1
Pharmaceuticals processing	85.85	24.4	95.28	26.9	(9.9)
Total	351.33	100.0	353.41	100.0	(0.6)

Net revenues contracted slightly (-0.6%) with respect to 2002. Conversely, net revenues would have been higher (+2.2%) had the US dollar-Euro exchange rate remained constant at the average for the prior year. In particular, had US dollar revenues, which represent about 20% of total sales, been translated using the average hedging rate for 2002 (0.933 US dollars for one Euro) rather than the actual rate for 2003 (1.068), then the total revenues reported in Euro would have been higher by 9.7 million euro. In order to counter the steady, marked depreciation of the US dollar against the Euro, especially from the second half of 2002, an effective policy was implemented to hedge the value of US dollar-denominated orders (the average US dollar-Euro rate for 2003 was 1.131) and our dollar-denominated price lists were adjusted repeatedly. This was possible since our principal competitors all reside in the Euro-zone. Given the substantial time interval between the moment of bidding and actually obtaining the order, the effects of these price-list modifications were only felt during the final months of the year.

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

- the revenues of the tea, coffee and herbal tea packaging sector rose by 14.4%, due to an increase in market share within the European Union and continued lively demand from the countries of Central and Eastern Europe;
- the revenues of the pharmaceuticals packaging and cosmetics sector were in line with the prior year, despite lower demand especially from the emerging nations and the effect of the exchange-rate changes referred to above. The allocation of revenues between the various product lines was also broadly similar to that reported in 2002, with inevitable fluctuations within limits that appear entirely normal. Sales in the cosmetics segment were good, representing about 12% of sector revenues following healthy growth since 2002;
- net revenues from sales of pharmaceuticals processing machinery fell by 9.9% with respect to 2002. There are various reasons for this reduction, including: the overall weakness in demand from the pharmaceuticals and health food industries, the exchange-rate effects mentioned earlier and the work to renew the range of machines for the production of tablets. The sales of coating machines were good, while extremely successful results were obtained in the segment for powder-filling machines, thus confirming the astute nature of the recent decision to enter this segment.

**NET REVENUES BY
GEOGRAPHICAL AREA**

million euro	2003		2002		Change %
	Amount	%	Amount	%	
E.U. (excluding Italy)	146.56	41.7	139.18	39.4	5.3
Other European countries	37.37	10.6	30.00	8.5	24.6
North America	71.86	20.5	77.55	21.9	(7.3)
Asia & Middle East	37.36	10.6	46.66	13.2	(19.9)
Other countries	28.92	8.2	29.99	8.5	(3.6)
Total foreign markets	322.07	91.6	323.38	91.5	(0.4)
Italy	29.26	8.4	30.03	8.5	(2.6)
Total	351.33	100.0	353.41	100.0	(0.6)

91.6% of net revenues were earned outside of Italy (91.5% in 2002). About 65% of revenues were generated by plant and machines, while 35% came from after-sales activities (support, spares, kits etc.).

In particular:

- sales to nations in the European Union rose by 5.3%, allocated evenly between the two sectors, tea and pharmaceuticals, but with different dynamics in the individual nations concerned.
- the strong rise in sales to other European countries was due to the growth of the economies in Eastern Europe, which has resulted in the start of work to strengthen the local pharmaceuticals industry and create a tea-packaging industry.
- with regard to the North American market, the fall in revenues expressed in Euro terms (-7.3%), despite favourable sales trends, was entirely due to the exchange-rate changes that could not be offset by price revisions. Indeed, US dollar revenues from that area in 2003 were 6% higher than in 2002.
- the Asian countries and the Middle East were the most directly affected by the extraordinary events that took place in 2003. Specifically, the SARS epidemic hit China and South-East Asia, while the war in Iraq was preceded by long preparations and followed by difficult and uncertain circumstances. Accordingly, the sharp fall in revenues from those areas is no surprise, especially with regard to China, where revenues dropped by 7.2 million euro, while there had already been a marked contraction in the Middle East during 2002.
- revenues from other nations, not included in the above groupings, were broadly unchanged with respect to the prior year (-3.6%). In this context, demand from the Latin American nations contracted even further with respect to the depressed levels reported in 2002.

GROSS INDUSTRIAL INCOME

Gross industrial income has decreased as a percentage of sales by 2.7 points from 45.3% to 42.6%. This reduction was mostly due to the strong, rapid weakening of the US dollar against the Euro which lowered margins by about 9 million euro. In addition, our principal direct competitors were particularly aggressive, in terms of discounts, throughout the entire year. This is unusual behavior in a market where client decisions are guided more by technological factors and the proven reliability of vendors than by price. Such discounting is a clear symptom of the difficulties faced by everyone during 2003.

This said, the industrial margin for the last quarter of 2003 was significantly higher than that achieved during the first nine months of the year. The improvement is certain due, in part, to the initial effects of the changes made to the dollar price lists between the end of 2002 and the start of 2003, especially considering that the mix of deliveries during the final months of the year is generally not as good as in the remainder of the year.

R&D COSTS

The R&D costs for the year totalled 18.21 million euro, in line with 2002 when they amounted to 18.38 million euro. The total represents 5.2% of net revenues and was almost entirely expensed during the year. This amount only relates to costs incurred to develop new products or update the technology of products already in distribution. The balance therefore excludes the cost of development work ordered by specific clients and the cost of personalizing products that are already being distributed. Such expenditure is included in the cost of sales since it is invoiced to the clients concerned. Interestingly, in terms of man-hours of design work, the Group's commitment to contract design and customization work is equivalent to that dedicated to the development of new products. The scale of this commitment is a concrete confirmation of our strong orientation to be seen as a solution provider rather than a vendor of products. This approach has always been a distinguishing characteristic of our Group and, over the years, has resulted in a strong market leadership position.

Work started during the year on the development of an entirely new family of products, with respect to those presented so far by the Group, for the pharmaceuticals packaging sector. The costs incurred on this project during 2003 (the research costs were expensed in full in the prior year), amounting to about 0.50 million euro, have been deferred as intangible fixed assets. They will be amortized from the time the product begins to generate the related economic benefits. The market launch for the new product is planned for the end of 2004.

At Divisional level, R&D costs were also essentially unchanged with respect to the prior year. Design work focused on the extension and completion of the range for each line of products, in order to better meet the needs of clients that have extremely diverse price/performance requirements.

SELLING COSTS

Selling costs inclusive of commissions paid to sales agents and intermediaries amounted to 42.13 million euro, down 5% with respect to 2002. They also fell as a percentage of sales from 12.6% in 2002 to 12.0% in 2003. The reduction with respect to the prior year was due to lower commission expense, following the fall in sales to countries where the Group operates via agents, and to the effect of the strongly weaker US dollar on the costs incurred in the North American market and in countries whose currencies have moved in line with the dollar against the Euro (U.K., Far East, Russia etc.).

Despite stagnant demand from the OECD markets and weaker demand from the emerging nations, IMA has continued to invest in 2003 to strength its sales organization, especially with regard to cosmetics, in the conviction that the transitory nature of these unfavorable conditions does not justify imposing a delay on planned activities.

**GENERAL AND
ADMINISTRATIVE COSTS**

General and administrative costs have decreased slightly (-0.5%) from 45.11 million euro in 2002 to 44.87 million euro in 2003. Given the 5% rise in unit labor costs, this performance reflects the commitment made to improving the efficiency of internal processes.

NET OPERATING INCOME

The amortization of goodwill was unchanged with respect to the prior year and, accordingly, net operating income amounted to 39.25 million euro, compared with 47.12 million euro in the prior year. This represents a fall of 2.1 percentage points with respect to total sales (from 13.3% in 2002 to 11.2% in 2003). The impact on net operating income for the year of the change in the US dollar-Euro exchange rate was about 8 million euro. Adjusting for this, net operating income for 2003 would have been similar to that reported in the prior year, in both absolute and percentage terms. This achievement reflects our policy of reducing selling and general overheads, the results of which have absorbed both the effects of inflation and higher payroll costs. Focus on the continual improvement of costs and operational efficiency, together with a scaling back of the weakness of the US dollar against the Euro, means that there are concrete prospects for a marked rise in profitability in the future.

**NET FINANCIAL INCOME
(EXPENSE)**

Net financial expense, analysed in the explanatory notes, has contracted by 0.24 million euro (from -4.25 million euro in 2002 to -4.01 million euro in 2003). With reference to the two principal captions:

- interest charges to service borrowing, including the interest on discounted notes, have decreased by 1.04 million euro (from 5.98 million euro in 2002 to 4.94 million euro in 2003), despite average borrowing in 2003 that was slightly higher than in 2002. This outcome clearly reflects the fall in interest rates during the intervening period;
- the difference between exchange gains and losses was essentially in line with that reported for 2002.

**ADJUSTMENTS TO THE VALUE
OF FINANCIAL ASSETS
AND DIVIDENDS**

The caption "Adjustments to the value of financial assets and dividends" contributed 1.04 million euro in 2002 due to the dividends received from Medinvest International S.C.A. By contrast, the balance is essentially nil in 2003.

NET INCOME

Net extraordinary income amounted to 0.93 million euro. Extraordinary income included a gain of 1.49 million euro generated from the sale of a property no longer used by Libra P.T. S.r.l., a subsidiary, consequent to the disposal of the investment in Libra Immobiliare S.r.l., while extraordinary expense mainly reflected charges (0.50 million euro) relating to the acceptance of the tax amnesties made available in the 2003 and 2004 finance laws.

Income taxes amounted to 16.92 million euro, equal to 46.7% of the Results before income taxes, compared with 43.3% in 2002. The deterioration of about three percentage points was due to the expiry of the tax incentives for new investment, under the "Tremonti Bis" law, and to the different allocation of income between the companies included within the scope of consolidation.

As a result of the above, Group net income for the year was 18.96 million euro, down 5.47 million euro with respect to the prior year.

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

This table summarizes the Group's balance sheet as at December 31, 2003:

million euro	31.12.2003		31.12.2002		Change %
	Amount	%	Amount	%	
Trade receivables	76.67	46.0	95.92	54.4	(20.1)
Inventories	117.42	70.4	114.93	65.1	2.2
Trade payables	(94.51)	(56.7)	(101.88)	(57.7)	(7.2)
Other payables, net	(21.38)	(12.8)	(24.02)	(13.6)	(11.0)
Operating capital	78.20	46.9	84.95	48.2	(7.9)
Intangible fixed assets	42.99	25.8	48.85	27.7	(12.0)
Tangible fixed assets	58.66	35.2	50.32	28.5	16.6
Equity investments	0.49	0.3	6.55	3.7	(92.5)
Fixed assets	102.14	61.3	105.72	59.9	(3.4)
Employee termination indemnities and other	(13.74)	(8.2)	(14.25)	(8.1)	(3.6)
Net capital invested	166.60	100.0	176.42	100.0	(5.6)
FINANCED BY:					
Net debt	68.49	41.1	67.25	38.1	1.8
Minority interests	2.25	1.4	2.31	1.3	(2.6)
Stockholders' equity pertaining to the Group					
	95.86	57.5	106.86	60.6	(10.3)
Total sources of finance	166.60	100.0	176.42	100.0	(5.6)

NET CAPITAL INVESTED

Capital invested net of operating liabilities, 166.60 million euro, has decreased by 9.82 million euro since December 31, 2002.

OPERATING CAPITAL

Operating capital amounts to 78.20 million euro as of December 31, 2003, down 6.75 million euro over the year. This important achievement rewards management's commitment to a project launched during 2003, with a time horizon of at least three years, designed to make significant improvements, at a structural level, to the Group's operating capital indices with respect to those reported in the past.

Comments on the changes in the main balances are given below:

- trade receivables have decreased by 19.25 million euro, from 95.92 million euro as of December 31, 2002, to 76.67 million euro at the end of 2003. In addition to reflecting the action referred to above, this reduction is affected by the lower level of sales in December which totaled 73.7 million euro in 2003 compared with 80.9 million euro in 2002. The size of this balance as a percentage of sales (about 22%) reflects the seasonal nature of deliveries: in 2003, 38% of sales were concentrated in the last quarter (42.4% in the fourth quarter of 2002);

- inventories have increased by 2.49 million euro (from 114.93 million euro in 2002 to 117.42 million euro in 2003). This is clearly high, even in a year such as 2003 with highly skewed orders that were weak during the first half of the year and recovering during the last part. Even so, the good results achieved by certain Divisions with regard to this element of operating capital were offset by a sharp rise at year-end in the inventories of the Pharmaceuticals processing division. This high level of inventories is also due, in part, to the co-existence within the current range of products of both new and old-generation lines. The latter still represent a considerable portion of our revenues, although their importance is gradually diminishing. We are dedicating considerable attention to this element of operating capital and believe that, as a result, inventory levels will be significantly lower in 2004 and subsequent years.
- trade payables have decreased by 7.37 million euro despite an improvement in advances received from clients. This decrease was partly due to the level of trade payables at the end of 2002, which included the effect of considerable capital investment made towards the end of the year, and partly to lower purchasing in certain sectors with high inventory levels.

FIXED ASSETS

In total, fixed assets have decreased by 3.58 million euro since December 31, 2002. This reflects:

- the reduction in equity investments by 6.06 million euro, principally due to the sale at essentially book value of the 7.8% interest in Medinvest International S.C.A. held by Luxteco International S.A.;
- tangible and intangible fixed assets, net of depreciation and amortization, have increased by 2.49 million euro since December 31, 2002, as the net effect of the following movements:

million euro	Fixed assets		
	Tangible	Intangible	Total
Additions during the year	17.78	3.05	20.83
Net book value of disposals	(1.97)	–	(1.97)
Exchange differences on consolidated fixed assets	(0.43)	(0.07)	(0.50)
Amortization and depreciation charges for the year	(6.82)	(8.83)	(15.65)
Change in scope of consolidation	(0.22)	–	(0.22)
Total	8.34	(5.85)	2.49

Capital investment during the year was mainly focused on real estate, including the completion of the new industrial building for Libra P.T. S.r.l., 8.75 million euro (overall investment of 9.80 million euro) and the extension of the industrial buildings at IMA S.p.A., 1.55 million euro, which were partly financed by the sale of the building previously used by Libra P.T. S.r.l. for 2.92 million euro.

NET DEBT

Net debt of 68.49 million euro has risen by 1.24 million euro since December 31, 2002 (67.25 million euro). This is satisfactory considering that extraordinary and ordinary dividend payments totalled 28.56 million euro, compared with 12.92 million euro in 2002, and that capital investment amounted to 20.83 million euro (17.82 million euro in 2002).

Given that capital investment during 2004 will be considerably lower than in the past two years, and that in the meantime the action described above will have further lowered the level of operating capital, we expected strong cash flow generation in 2004, which could be used to support the Group's important plans for expansion.

STATEMENT OF CONSOLIDATED
CASH FLOWS

The following statement of consolidated cash flows relates to the years ended December 31, 2003 and 2002:

million euro	2003	2002
Net operating income	39.25	47.12
Amortization and depreciation	10.57	9.96
Amortization of goodwill and consolidation differences	5.08	5.08
Investment in fixed assets (net)	(18.14)	(16.36)
Change in operating capital	6.75	(0.45)
Change in other assets / liabilities	(0.5)	0.10
Cash flow from operations	43.01	45.45
Net financial income (expense)	(4.01)	(4.25)
Extraordinary items and dividends	0.93	0.85
Income taxes	(16.92)	(18.98)
Cash flow from ordinary activities	23.01	23.07
(Acquisitions)/Disposals	6.08	–
Cash flow from extraordinary activities	6.08	–
Dividends paid to stockholders	(28.56)	(12.92)
Other changes in stockholders' equity	(1.77)	(2.26)
Change in net borrowing	(1.24)	7.89

The statement of cash flows effectively shows that cash generation during 2003 made 28.56 million euro available to the stockholders, and that this considerable result was obtained by the incisive and rigorous management of net capital invested, which offset the reduction in self-financing generated from operations.

**STOCKHOLDERS' EQUITY
PERTAINING TO THE GROUP**

Stockholders' equity pertaining to the Group, 95.86 million euro, has decreased by 11.00 million euro since December 31, 2002, due to the net effect of the following movements:

Dividends paid during the year	(28.56)
Exchange differences on the translation of foreign currency financial statements	(1.40)
Net income for the year	18.96
Total	(11.00)

**ANALYSIS OF
PERFORMANCE BY SECTOR**

The following schedule analyzes consolidated operations during 2003 by business sector, as required by Consob decision no. 98084143 of October 27, 1998.

million euro	Tea	Packaging	Process	Other	Total
Net revenues	56.96	208.52	85.85		351.33
Net operating income before amortization of goodwill and consolidation differences	16.37	23.79	4.17		44.33
Net operating income	16.37	21.92	0.96		39.25
Net capital invested	9.69	73.85	82.66	0.40	166.60
R&D costs	3.26	9.56	5.39		18.21
Personnel at 12/31/2003 (*)	223	1.326	473	397	2.419
Order book	45.74	79.98	25.73		151.45

(*) The personnel allocated to the various sectors are those directly employed in those sectors, while the figure reported in the "Other" column reflects those employed by the sales organizations at branches and in the Group's administrative and central offices.

Net capital invested includes 34.48 million euro in goodwill and consolidation differences, of which 6.02 million euro relates to the packaging sector and 28.46 million euro to the process sector.

The net capital invested allocated to the "Other" column mainly reflects the value of equity investments that cannot be reallocated.

**TEA, COFFEE AND HERBAL
TEA PACKAGING**

million euro	2003	2002	Change %
Net revenues	56.96	49.78	14.4
Net operating income before amortization of goodwill and consolidation differences	16.37	12.66	29.3
Net operating income	16.37	12.66	29.3
Net capital invested	9.69	23.11	(58.1)
R&D costs	3.26	2.73	19.4
Personnel as of 12/31 (direct)	223	215	
Order book	45.74	32.18	42.1

The tea, coffee and herbal tea packaging sector essentially comprises the activities performed directly by the parent company IMA S.p.A., via its Tea Division.

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

As shown by the above data and as previously discussed, the tea sector of the IMA Group performed extremely well in 2003. This performance will certainly continue in 2004, given the sizeable order book at year-end (+42.1% with respect to 2002).

As often stated, the market for tea-bagging machines is not growing and is primarily concentrated in the western nations (Europe and the United States) which, however, represent less than 20% of the world's tea consumption. There are currently no signs that the eastern nations, major tea drinkers, are ready to "migrate" towards the use of bags. Accordingly, the market for tea-bagging machines is restricted to the replacement of existing machines and, therefore, is both unlikely to expand and exposed to the effects of economic cycles. Nevertheless, over the past two years the nations of Central and Eastern Europe, including Russia in particular, have benefited from the strong upturn in their economies to start upgrading their local industry in order to reduce the reliance on imports. In the meantime, elsewhere in Europe, IMA has been awarded major orders from leading groups, thus expanding market share and becoming strategic with regard to the future decisions of those clients, whose decisions to select IMA were based on the unique performance characteristics of our products.

Demand for machines to produce pods for coffee has also expanded, although this still only contributes a small portion of the Division's revenues.

The major improvement in net operating income, both in absolute terms (+29.3%) and as a percentage of revenues (28.7% in 2003 compared with 25.4% in 2002), despite a contribution margin that has not increased with respect to the prior year, was due to operational leverage deriving from higher revenues and the significant containment of selling and general overheads, which fully offset the rise in R&D costs. In particular, the increased investment in innovation, up from 2.73 million euro in 2002 to 3.26 million euro in 2003 (+19.4%), reflects the Group's determination to both further strengthen its leadership of this sector, via the expansion of the product range, and move into new sectors that appear to offer attractive growth prospects.

The sharp reduction in net capital invested, from 23.11 million euro at the end of 2002 to 9.69 million euro in 2003, was entirely due to effective action taken by the Division to lower the level of operating capital. In particular, trade receivables have contracted sharply while advances from clients have risen considerably, partly due to a consistently high order backlog. The rise in the level of inventories, necessary in order to meet the deliveries scheduled for the first half of 2004, has been offset by an increase in amounts due to vendors.

PHARMACEUTICALS PACKAGING

million euro	2003	2002	Change %
Net revenues	208.52	208.35	0.1
Net operating income before amortization of goodwill and consolidation differences	23.79	29.88	(20.4)
Net operating income	21.92	28.01	(21.7)
Net capital invested (*)	73.85	64.41	14.7
R&D costs	9.56	9.85	(2.9)
Personnel as of 12/31 (direct)	1,326	1,292	
Order book	79.98	95.30	(16.1)

(*) Net capital invested includes goodwill and consolidation differences of 6.02 million euro.

The sector of packaging machines for the pharmaceuticals industry includes the activities directly performed by the parent company IMA S.p.A. via the Blister Division, the Win.Pack Division, the Filling and Sterile Division, the Cartoning Division and the End-of-Line Division, in its factories at Ozzano and Bentivoglio (Bologna), together with those carried out by Libra P.T. S.r.l., at Calenzano (Florence), which was absorbed by IMA S.p.A. from January 1, 2004, by Co.MA.DI.S. S.p.A., located in Senago (Milan), and by Precision Gears Pvt Ltd., the Indian subsidiary with locations in Bombay and Indore (India). In addition, COMITEC s.r.l., a wholly-owned subsidiary based in Castel San Pietro Terme – Bologna, carries out design activities for the Pharmaceuticals packaging sector.

IMA's network of branches covering 16 countries sells these products and provides the related after-sales service. The rest of the world is covered by an established network of agents, which works for the processing machines sector as well. The pharmaceuticals industry represents the principal market, although there is growing demand from the cosmetics industry. Recognizing the considerable potential offered by the cosmetics market, the IMA Group has identified this sector as a primary target for diversification and growth in the coming years, not least in view of the major synergies in technological and product terms with the pharmaceuticals sector. We are moving in this direction with great determination and extremely satisfactory results so far. In particular, sales to the cosmetics industry in 2003 were 15% higher than in 2002. We expect market penetration to leap as the new models specifically designed to meet the requirements of this sector become available.

The Group's product range in the packaging sector is extremely wide, placing it in a leadership position worldwide. The range covers a family of machines for the production of blisters, with speeds ranging from 60 blisters/minute up to 1,200 blisters/minute; a wide range of filling equipment for liquids/powders/creams both in sterile and normal environments; tube-filling machines, cartoners, end of line products (wrapping machines, shrinkwrappers, case-packing and palletising systems, etc.) and labelling machines.

Net revenues from the principal product lines are analyzed as follows:

million euro	2003	2002	Change %
Blister	74.97	78.57	(4.6)
Filling and Sterile	65.03	62.69	3.7
Cartoning	20.59	21.51	(4.3)
End of line	35.84	34.28	4.6
Other	12.09	11.30	7.0
Total	208.52	208.35	0.1

The dynamics of sales in the various parts of the world reflected reasonably closely the overall performance of the pharmaceutical sector described earlier. There was good growth in the North American market, offsetting the downturn in the pharmaceuticals processing sector, together with favourable trends in the European Union, despite considerable differences between individual countries. Demand from Central and Eastern Europe was excellent, but there was a major drop in China.

With reference to the individual product lines, the reduction in the sales of blister machines (-3.60 million euro) was entirely due to lower sales of kits, while the sales of complete machines were in line with the prior year. The growth in sales of filling equipment confirms the good reception by clients of our new products for sterile environments. The slight fall in the sales of cartoners was also entirely due to lower kit sales. The sales of end-of-line products performed well. The Other caption comprises sales of third-party products sold on an exclusive basis by the IMA sales force in order to complete the range on offer.

The significant rise in net capital invested, despite a slight contraction in operating capital, is due to the increase in tangible fixed assets following the entry into service of the new factory at Libra P.T. S.r.l., Calenzano (Florence) and the extension of the industrial building at Bentivoglio (Bologna).

R&D costs are in line with the prior year, confirming an intense vocation for innovation that was demonstrated by the numerous new products presented at the Achema fair in Frankfurt.

The drop in net operating income from 28.01 million euro in 2002 to 21.92 million euro in 2003 was due, as already mentioned, to the weakness of the US dollar. The order book at year-end was markedly lower than at the end of 2002 (-16.1%). This level is not however a major cause for concern about results in the current year, given concrete signs of an upturn in demand both in the OECD nations and in emerging countries.

PHARMACEUTICALS PROCESSING

million euro	2003	2002	Change %
Net revenues	85.85	95.28	(9.9)
Net operating income before amortization of goodwill and consolidation differences	4.17	9.66	(56.8)
Net operating income	0.96	6.45	(85.1)
Net capital invested (*)	82.66	82.89	(0.3)
R&D costs	5.39	5.80	(7.1)
Personnel as of 12/31 (direct)	473	498	
Order book	25.73	24.00	7.2

(*) Net capital invested includes goodwill and consolidation differences of 28.46 million euro.

The sector of processing machines for the pharmaceuticals industry includes the activities performed directly by the parent company IMA S.p.A. through its Solid Dose Division at Ozzano, as well as the activities of the subsidiaries Kilian GmbH & Co. KG, located in Cologne (Germany), Zibo IMA Xinhua Machinery Manufacturing Co. Ltd. and Zibo IMA Xinhua Pharmatech Co. Ltd. (China).

IMA's network of branches in the 16 countries covered sells these products and provides the related after-sales service. The rest of the world is covered by an established network of agents. The Group's main product lines in this sector include machines for producing capsules and tablets, machines for weighing capsules and tablets, coating systems and, from 2002, systems for fluid-bed powder granulation. The breadth and depth of the Group's range in this sector make it the only real provider of complete solutions, from the treatment of powders to the production of medicines in capsule and tablet form, with the related control systems.

The fall in revenues in 2003 (-9.9%) follows that reported in 2002 and solely relates to two families of products: machines for the production of capsules and tablet press machines, although for completely different reasons. In the first case, machines for the product of capsules, the market is in structural decline regardless of the general state of the economy. This does not mean that IMA cannot grow in this sector, following the contraction in the past two years, but this will have to be achieved by winning an increased share of the market. For this reason, IMA has developed and launched new machines, operating both on a continuous and a batch basis, and the interest shown in them by the major multinational companies gives us confidence in the prospects for growth. In the second case, the weak sales of tablet press machines in 2003 was essentially due to a major drop in orders from developed markets for the old Kilian models. This decline was not immediately counterbalanced by our new lines of products, which were still at the start-up stage during 2003. However, this new line of products is becoming increasingly successful due to its unique performance characteristics, which enables us to look ahead with justified optimism.

Orders for coating equipment recovered very well after the downturn experienced in 2002. Lastly, after a "running in" period in 2002, 2003 was the first full year of producing and selling a complete line of equipment for the processing of powders, which "revolves" around out innovative family of granulators. In order to complete our offer in this area, we presented a wide and extensive range of equipment for the handling of powders at the Achema fair, together with cleansing systems. In this way, we are able to design and present complete solutions to clients that, starting from the raw materials and moving through the production of capsules/tablets to coating, are then fully packaged (both primary and secondary), thus guaranteeing complete integration between all the machines involved in the entire process.

The level of net capital invested is broadly in line with the prior year and specifically includes goodwill and consolidation differences relating to acquisitions made in prior years, as well as a substantial level of inventory which, given the performance of the sector, could not be reduced. There are good signs that this element can be contained and reduced during 2004.

The sector's EBITA has more than halved compared with the prior year, decreasing from 9.66 million euro to 4.17 million euro. This contraction, despite the decrease in fixed costs by about 2.7 million euro (-7.5%), reflects lower sales, the weakness of the US dollar and a less favorable sales mix.

The rise in the order book at the end of the year (+7.2%) reflects the upturn in orders during the final quarter of 2003 and strengthens our cautious optimism, expressed above, regarding prospects for the future.

INVESTMENT

During 2003, the Group invested 3.05 million euro (4.13 million euro in 2002) in intangible fixed assets and 17.78 million euro (13.69 million euro in 2002) in tangible fixed assets, with an overall total of 20.83 million euro (17.82 million euro in 2002).

The additions to intangible fixed assets mainly related to two captions: the filing of patents and software. Investment in the latter caption fell with respect to the prior year, when Kilian GmbH & Co. KG, installed the SAP ERP system in harmony with the rest of the Group. More than 80% of the investment in tangible fixed assets related to new industrial buildings and the related installations. This involved the completion of construction work commenced in prior years, including that on the new factory for Libra P.T. S.r.l. (absorbed by IMA S.p.A. from January 1, 2004) at Calenzano (Florence), the extension of the Bentivoglio factory (former BFB) and the Service Center at Ozzano, together with the continuation of construction work on the new industrial building in via Emilia at Ozzano. The remaining capital investment essentially related to machines constructed internally that are used for testing, IT systems and mechanical equipment.

Investment during the period 2001-2003 was significantly higher than the amortization and depreciation charged in the same period. This was clearly due to objective requirements that will help the Group to grow, as well as to certain investment that was accelerated in order to obtain the benefits available under related legislation. New investment will be strongly curtailed in 2004, to a level that does not exceed the likely depreciation and amortization charge.

HUMAN RESOURCE POLICY, INDUSTRIAL RELATIONS AND TRAINING

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

Consistent with this vision, IMA dedicates considerable attention to the proper management of the human resources that form part of the Group, investing heavily and continually in their professional growth, adopting an organizational model with a high degree of participation, and applying a bonus system based on the rigorous identification and assessment of the skills acquired by each person.

EMPLOYEES

The Group employs 2,419 persons as of December 31, 2003, compared with 2,368 at the end of 2002. The average age of our employees is 37. The geographical breakdown of the workforce is as follows:

	2003	2002	Change
Italy	1,559	1,534	25
India	357	346	11
Germany	278	285	(7)
USA	66	60	6
China	61	48	13
U.K.	33	33	–
France	26	25	1
Eastern Europe	25	24	1
Japan	–	1	(1)
Spain	12	10	2
Portugal	2	2	–
Total	2,419	2,368	51

The excellent educational standard of the human resources employed by the Group is demonstrated by the fact that more than 73% possess a high-school diploma and/or a university degree.

With reference to the Group's organizational structure, around 20% of employees work in the commercial area, including pre-sales and after-sales, 18% in our R&D laboratories, 26% in central functions (Administration, IT, Procurement, Quality, Human Resources, etc.) and 36% in production/logistics. This last percentage would fall to 30% on exclusion of our Indian subsidiary, Precision Gears Pvt Ltd., which has a highly internalized and labor-intensive production model. This distribution of the workforce is a good reflection of IMA's business model, which is designed to retain the activities that represent critical and distinctive skills and outsource all other activities. The high degree of professionalism is partly reflected in the fact that clerical and managerial grades occupy 71% of our employees.

PERSONNEL COSTS

Payroll amounted to 103.24 million euro, compared with 98.58 million euro in the prior year (+4.7%), absorbing 29.4% of net revenues compared with 27.9% in 2002. In particular, the unit labor cost of Italian employees rose by about 5% in 2003. This was due, in part, to the renewal of the national payroll contract for engineering workers on May 7, 2003, and to the effect of consolidating the performance bonus in accordance with the previous contract which expired in 2001 and, in part, to application of the Group's incentive policy.

HUMAN RESOURCE POLICY

Our focus on individuals is evident from the moment of recruitment. This is reflected in:

- selection processes that use probing techniques for the assessment of candidates, especially those for the more strategic roles;
- the recruitment of young diploma holders and graduates (the average age of new recruits is less than 30) who are offered an ongoing program of education and training;

- employment on permanent contracts (85% of hiring) with the conversion to permanent of 45% of fixed-term contracts, in the various forms envisaged by current legislation;
- extensive training/orientation programs for new recruits that are structured to facilitate entry and communicate our system of business values in a clear and transparent manner.

This focus on individuals continues throughout their professional career, with continual monitoring and assessment of their skills in order to plan the appropriate training within a professionally-advanced system of human resource management. The Group's attention to human resources is evidenced by the low turnover rate (less than 3%), by the degree of absenteeism at physiological levels, and by the climate of involvement and constant participation.

We strive continually to create favorable conditions for the expression of individual talent, founded on our business culture with its system of strongly-shared values. These include, by way of example, comprehensive health and accident cover, agreements for discounted purchases and best terms for numerous aspects of the employment contract (salary level, post-natal leave, basis for granting advances against termination indemnities, use of part-time working, etc.). In this light, we have been providing a psychological counselling service for the past twenty years or so, recently backed up by the introduction of the role of Employee Representative, in order to confirm the importance to us of our people. We take action to promote conditions of wellbeing in the workplace, especially with reference to phenomena that might result in social exclusion.

TRAINING

More than 87% of employees were involved during the year in around 20,000 man-hours of training geared towards improving the expertise of the Group's technical, administrative and commercial personnel. This is an area in which we must invest even more in the future.

INDUSTRIAL RELATIONS

In terms of Industrial Relations, our ongoing and long-established relations with the Trade Unions have once again enabled continuously evolving conditions to be managed on a dynamic basis, with a wide degree of agreement that reflects a substantial absence of strife in a climate of proper union relations. In particular, the in-house agreement was renewed with the unions in March 2003 for the period 2003-2006. This is an innovative agreement, in that it gives particular attention to helping and privileging employees who find themselves in particular discomfort/difficulty as a result of unexpected events. At the same time, it was also confirmed that the performance bonus remains anchored to the Group's financial and operating results. Furthermore, a supplement to the national payroll agreement reached in May 2003 was signed in September regarding wage and salary levels. In both cases, the agreements were signed after some months of lively debate without recourse to strikes, thus confirming the positive and constructive climate that characterizes relations between the Group and workers' representatives.

**HEALTH,
SAFETY AND THE ENVIRONMENT**

For the Group, environmental protection includes full compliance with current regulations, not least via specific training designed to create a “culture of safety”.

Since 1996, when new regulations adopting the European directive were introduced, 1,200 employees have received training on the subjects of security and accident prevention. Indeed, 18% of annual training hours are dedicated to security and accident prevention, involving 15/20% of Group personnel.

There has been significant capital investment to improve the micro-climate in working environments (air conditioning, humidity levels etc.), as well as the general level of comfort (additional space, lighting etc.). Furthermore, the new in-house agreement envisages a series of improvements with regard to the technical offices, catering, work clothes and personal protection systems. Consistent with this, a total ban on smoking has been introduced in all locations.

Continuing training and education on the topics of security and accident prevention at all times contributes to keeping the Group's accident rate well below the average for the sector as a whole (about 1/4).

With reference to the security measures required for the processing of personal data, the Company has complied with current regulations by updating the security plan during the year. This plan will be revised further during the first half of 2004.

PERFORMANCE OF IMA S.P.A.

Our commentary on Group performance has implicitly covered the activities of the parent company, whose sales, including those to marketing subsidiaries, accounted for 78% of the IMA Group's consolidated net revenues.

BFB S.p.A., a wholly-owned subsidiary, was absorbed by IMA S.p.A. with effect from January 1, 2003. As a result of this move to simplify the corporate structure, the data reported in the financial statements for 2003 is not comparable with that for 2002. Accordingly, in order to provide meaningful comparative information and better understand the performance of the Company in 2003, a pro forma (PF) balance sheet and statement of income have been prepared for 2002, showing how the merger would have affected that year.

STATEMENT OF INCOME

The highlights of the parent company's results for 2003 are summarized below on a comparative basis:

million euro	2003	%	pro forma	%	Change %	2002	%
Net revenues	273.73		268.85		1.8	216.95	
Cost of sales	(159.69)		(152.05)			(122.20)	
Gross industrial income	114.04	41.7	116.80	43.4	(2.4)	94.75	43.7
R&D costs	(14.88)		(14.82)			(12.27)	
Selling costs	(35.21)		(32.90)			(25.87)	
General and administr. costs	(31.57)		(31.29)			(26.56)	
Net operating income before amortization of goodwill and consolidation differences (E.B.I.T.A.)	32.38	11.8	37.79	14.1	(14.3)	30.05	13.9
Amortization of goodwill	(1.91)		(1.91)			(1.58)	
Net operating income	30.47	11.1	35.88	13.3	(15.1)	28.47	13.1
Net financial income (expense)	(1.19)		(1.43)			(1.65)	
Dividends	9.60		9.27			9.27	
Writedown of equity investments	(1.97)		(2.52)			(2.52)	
Accelerated depreciation	(1.81)		(1.78)			(1.65)	
Extraordinary items, net	2.29		-			-	
Result before income taxes	37.39	13.7	39.42	14.7	(5.1)	31.92	14.7
Income taxes	(16.47)		(17.67)			(13.98)	
Net income for the year	20.92	7.6	21.75	8.1	(3.8)	17.94	8.3
Gross operating income (E.B.I.T.D.A.)	39.29	14.4	44.02	16.4	(10.7)	35.44	16.3

The following commentary mainly relates to the changes between 2003 and the pro forma 2002 balances (PF).

The company reported net income of 20.92 million euro in 2003, which was essentially unchanged with respect to the prior year on a consistent comparative basis.

Net revenues rose 1.8% compared with 2002 on a comparative basis.

The lower incidence of gross industrial income on net revenues was due to the reasons described in relation to Group performance and, above all, to the impact of the deterioration of the US dollar-Euro exchange rate over the year.

R&D costs were broadly unchanged at around 5.4% of net revenues.

Selling costs were 7% higher than in 2002 and have increased as a percentages of net revenues by about 0.7% (from 12.2% to 12.9%).

This rise was solely due to the increase in commissions due to a change in the mix of sales between areas served directly by the company and those covered by agents and commercial branches.

The financial captions within the statement of income, regarding the writedown of equity investments and the provision of accelerated depreciation, are broadly unchanged in absolute terms on a consistent, comparative basis.

Net extraordinary income of 2.29 million euro comprises the gain on the sale of Libra Immobiliare S.r.l., 2.63 million euro, and expense of 0.34 million euro relating, in the main, to the acceptance of the fiscal amnesty made available under the 2003 and 2004 finance laws.

**REPORT ON OPERATIONS
BY BUSINESS**

The following schedule analyzes operations during 2003 by business sector, as required by Consob decision no. 98084143 of October 27, 1998.

million euro	Tea	Packaging	Process	Other	Total
Net revenues	56.35	169.33	48.05	–	273.73
Net operating income before amortization and goodwill	15.18	14.46	2.74	–	32.38
Net operating income	15.18	14.13	1.16	–	30.47
Net capital invested	7.70	34.00	35.16	53.59	130.45
R&D costs	3.26	9.09	2.53	–	14.88
Personnel at 12/31/2003 (*)	217	796	207	148	1,368
Order book	44.94	67.30	22.19	–	134.43

() The personnel allocated to the various sectors are those directly employed in those sectors, while the figure reported in the “Other” column reflects those employed in the administrative and central offices.*

Net capital invested includes 11.15 million euro in goodwill relating to the process sector.

The amount of net capital invested reported in the “Other” column mainly comprises the value of equity investments and financial receivables due from group companies. Comments on the performance of the various sectors of activity have already been presented in the section dedicated to the performance of the Group.

EMPLOYEES

As at 12.31.2003, IMA S.p.A. employed 1,368 persons compared with 1,083 at the end of 2002.

The breakdown of the workforce by grade is summarized below:

	12.31.2003	12.31.2002
Managers	42	35
Clerical staff	998	772
Factory workers	328	276
Total	1,368	1,083

The absorption of BFB S.p.A. with effect from January 1, 2003, increased employment by 273 persons.

PERSONNEL COSTS

Personnel costs totaled 66.74 million euro compared with 50.90 million euro in the prior year, or 62.77 million euro including the 2002 personnel costs of BFB S.p.A. This increase (+ 6.4%) is in line with the rise in personnel costs during 2003 of about 5%.

BALANCE SHEET AND FINANCIAL POSITION

The company's balance sheet and financial position as at December 31, 2003 are summarized below:

million euro	12.31.2003	%	12.31.2002 pro forma	%	Change %	12.31.2002	%
Trade receivables	62.61	48.0	77.13	56.5	(18.8)	68.45	52.1
Inventories	87.50	67.0	84.92	62.2	3.0	70.90	54.0
Trade payables	(99.80)	(76.5)	(103.11)	(75.5)	(3.2)	(87.07)	(66.3)
Other payables, net	(16.86)	(12.9)	(16.53)	(12.1)	2.0	(14.36)	(10.9)
Operating capital	33.45	25.6	42.41	31.1	(21.1)	37.92	28.9
Intangible fixed assets	17.73	13.6	20.14	14.8	(12.0)	18.43	14.0
Tangible fixed assets, net	37.30	28.6	36.37	26.6	2.6	30.01	22.9
Equity investments and financial fixed assets	49.97	38.3	49.58	36.3	0.8	54.94	41.8
Fixed assets	105.00	80.5	106.09	77.7	(1.0)	103.38	78.7
Employee termination indemnities and other	(8.00)	(6.1)	(12.04)	(8.8)	(33.6)	(10.00)	(7.6)
Net capital invested	130.45	100.0	136.46	100.0	(4.4)	131.30	100.0

FINANCED BY :

Net debt	53.02	40.6	51.39	37.7	3.2	49.43	37.6
Stockholders' equity	77.43	59.4	85.07	62.3	(9.0)	81.87	62.4
Total sources of finance	130.45	100.0	136.46	100.0	(4.4)	131.30	100.0

The following commentary relates to the changes in balances between 12.31.2003 and the pro forma (PF) version of 2002.

Operating capital has decreased by 21% following incisive action to reduce the capital invested in this area, especially with regard to the following captions:

- trade receivables have decreased by 14.52 million euro following effective action to improve awareness within the divisional and commercial organizations.
- inventories rose by 2.58 million euro, from 84.92 million euro to 87.50 million euro.
- trade payables have decreased by 3.31 million euro following a reduction in purchasing with respect to the prior year.

Fixed assets are essentially unchanged on a consistent, comparative basis. Accordingly, investment was essentially the same as the depreciation charge.

Net debt of 53.02 million euro has increased by 1.63 million euro since December 31, 2002 (51.39 million euro, including the net debt of BFB S.p.A. as of December 31, 2002 of 1.96 million euro). The level of borrowing at the end of 2003 is highly satisfactory, having regard for the payment of extraordinary dividends totaling 14.44 million euro during December 2003.

STATEMENT OF CASH FLOWS

The following statement of cash flows relates to the years ended December 31, 2003 and 2002. The pro forma statement of cash flows for 2003 has been presented since this better reflects the operating cash flows during the year.

million euro	2003 PF	2002
Net operating income	30.46	28.47
Amortization and depreciation	8.72	7.03
Amortization of goodwill	1.91	1.58
Investment in fixed assets (net)	(9.15)	(11.55)
Change in operating capital	8.97	3.95
Change in other assets / liabilities	(4.04)	(0.10)
Cash flow from operations	36.87	29.38
Net financial income (expense)	(1.19)	(1.65)
Dividends	9.60	9.27
Extraordinary items and accelerated depreciation	(1.48)	(1.65)
Taxes	(16.47)	(13.98)
Cash flow from ordinary activities	27.33	21.37
Change in equity investments and goodwill	(0.40)	(6.86)
Cash flow from extraordinary activities	(0.40)	(6.86)
Dividends paid to stockholders	(28.56)	(12.92)
Other changes in stockholders' equity	–	–
Change in net debt	(1.63)	1.59

STOCKHOLDERS' EQUITY

Stockholders' equity as of December 31, 2003, of 77.43 million euro decreased during the year by 4.44 million euro due to the net effect of the following movements:

Dividends paid during the year	(28.56)
Merger surplus	3.20
Net income for the year	20.92
Total	(4.44)

TREASURY STOCK

No treasury stock is held as of December 31, 2003. The following transactions took place during the year:

- purchase of 531,273 shares for 5.49 million euro in accordance with the stockholders' resolutions dated April 24, 2002, and April 24, 2003;
- sale of 857,894 shares for 8.75 million euro in the exercise of the powers granted to the Board of Directors by the stockholders in general meeting.

COMPANY LOCATIONS

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

Via Tosarelli, 184	Castenaso	(BO)	Head office
Via 1° Maggio, 14/16	Ozzano dell' Emilia	(BO)	Factory and offices
Via Emilia, 428/442	Ozzano dell'Emilia	(BO)	Factory and offices
Via S. Pietro, 16/18/20	Ozzano dell'Emilia	(BO)	Factory and offices
Via Romagnoli, 2	Bentivoglio	(BO)	Factory and offices
Via Romagnoli, 9/3	Bentivoglio	(BO)	Factory and offices
Via Romagnoli, 13	Bentivoglio	(BO)	Factory and offices
Via Romagnoli, 11-11/2	Bentivoglio	(BO)	Factory and offices

OTHER INFORMATION

SIGNIFICANT EVENTS AFTER YEAR END

The principal events taking place subsequent to year end were:

- absorption by IMA S.p.A. of Libra Pharmaceutical Technologies S.r.l. and Ignition Team S.r.l., both wholly-owned subsidiaries, with effect from January 1, 2004. These mergers are part of a strategy to simplify the structure of the IMA Group, as mentioned with regard to the absorption of BFB S.p.A.
- transfer on February 20, 2004, of the 82% interest in Zibo Xinuha Machinery Manufacturing Co. Ltd. from IMA Far East Ltd. to IMA S.p.A. This transfer, which is part of the reorganization of the Group's activities in South-East Asia, took place at book value.
- increase in the capital stock of IMA Far East Ltd. on January 12, 2004, by 1.10 million US dollars by the waiver of financial receivables due to Luxteco International S.A., the immediate parent company.
- repayment by Luxteco International S.A. to IMA S.p.A. on March 22, 2004, of part of the capital stock paid in, 6 million euro, following the capital reduction authorized by the stockholders on December 11, 2003.

PERFORMANCE DURING THE CURRENT YEAR

The substantial order book for the tea, coffee and herbal tea packaging sector means that revenues in 2004 will not be lower than in 2003.

With regard to process and packaging machinery for the pharmaceutical industry, the upturn in demand from the second half of 2003 in both the OECD countries and the merging nations was discussed earlier. In particular, orders received from the pharmaceutical and cosmetics industry during the second semester of 2003 were 12.5% higher than in the comparative period of 2002, which however was very depressed.

This positive trend has continued during the first two months of 2004, with orders up 13.5% with respect to the first two months of 2003.

Based on current negotiations, there is reason to believe that this trend is starting to accelerate rapidly. The forecasts for the pharmaceutical market and the macroeconomic situation are undoubtedly favorable, as described in the introduction. Given this, we believe with justified optimism that there will be a good increase in revenues with respect to 2003.

A healthy improvement in margins is also expected, partly due to the effect of changing the price lists. However we are unlikely to return to the levels prior to the devaluation of the US dollar, since the latest price adjustments made in October and December will have a very limited effect on the current year.

Net revenues through the end of February totaled 22.81 million euro, in line with the comparative period in 2003 (22.42 million euro). These volumes are normal at this time of the year, reflecting the usual seasonality of deliveries in this sector.

The order book as of February 29, 2004, amounts to 167.56 million euro, slightly up with respect to the same date in the prior year (164.54 million euro). Accordingly, orders acquired during the first two months of the current year were 9.5% higher than in the same period of 2003, or about 14% more after eliminating the effect of changes in the US dollar-Euro exchange rate.

TRANSACTIONS WITH PARENT COMPANIES AND OTHER GROUP COMPANIES

With regard to relations with parent companies, IMA S.p.A. is 51% owned by FIN-VACCHI S.p.A., itself a subsidiary of Lopam Fin S.p.A. As disclosed below and in the explanatory notes, there were no dealings of any significance with FIN-VACCHI S.p.A. during the year. There were no transactions with Lopam Fin S.p.A. IMA S.p.A. has dealings mainly of a commercial nature with the Group's manufacturing companies, involving the purchase and sale of machines required for the assembly of complete product lines. It also provides these companies with administrative services.

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

The holding companies own the Group's interests in some of its 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 work mainly for the Group, but also for other companies.

To summarize, the parent company, IMA S.p.A., manufactures packaging and filling equipment for the tea and pharmaceutical sectors, as well as end-of-line machines for the pharmaceutical and cosmetics markets. The entire product range is sold via the marketing companies, which also provide customer service in their various territories; sales in regions not covered by Group companies are made through an extensive network of agents.

The principal financial and operating information of subsidiary companies is provided in the section entitled "Summary of the financial statements of subsidiary companies".

The effect of transactions between Group companies on the 2003 financial statements is reported below.

The effect of transactions with related parties is described in the explanatory notes.

RECEIVABLES

in thousands of Euro	2003	2002
Trade receivables		
• Subsidiary companies	16,033	24,231
• Associated companies	–	4
• Parent companies	3	3
	16,036	24,238
Financial receivables		
• Subsidiary companies	15,349	10,626
	15,349	10,626
Others		
• Subsidiary companies	6,000	–
	6,000	–
Total	37,385	34,864

Trade and financial receivables derive mainly from the sale of goods in the ordinary course of business, from the provision of administrative and marketing services, and from the granting of loans. The other receivables relate to the capital reduction resolved by Luxteco International S.A. on December 11, 2003, which was paid on March 22, 2004.

PAYABLES

in thousands of Euro	2003	2002
Trade payables		
• Subsidiary companies	22,924	24,191
• Associated companies	562	449
• Parent companies	14	–
	23,500	24,640
Other payables		
• Subsidiary companies	2,299	–
	2,299	–
Total payables	25,799	24,640

Trade payables derive from services received, the supply of goods and commissions. Other payables relate to the capital stock not yet paid into Ima Pacific Company Ltd and IMA Packaging and Processing (Beijing) Co. Ltd. The capital payment to IMA Packaging and Processing (Beijing) Co. Ltd, 685 thousand euro, took place on January 7, 2004.

MEMORANDUM ACCOUNTS

in thousands of euro	12.31.2003	12.31.2002
<i>Unsecured guarantees given</i>		
Guarantees given in the interests of:		
• subsidiary companies	19,754	32,531
	19,754	32,531
Letters of patronage given in the interests of:		
• subsidiary companies	13,547	13,547
	13,547	13,547
Total memorandum accounts	33,301	46,078

The various forms of guarantee given in the interests of subsidiary companies assist the lines of credit and loans granted to them by the banking system.

VALUE OF PRODUCTION

REVENUES

in thousands of Euro	2003	2002
• Subsidiary companies	47,149	52,909
• Associated companies	–	4
• Parent companies	2	2
Total	47,151	52,915

Revenues from subsidiary companies essentially derive from the sale of goods in the ordinary course of business and from the provision of administrative and marketing services.

PRODUCTION COSTS

RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS FOR RESALE

in thousands of Euro	2003	2002
• from subsidiary companies	8,665	17,282
• from associated companies	2,322	2,231
Total	10,987	19,513

SERVICES

in thousands of Euro	2003	2002
• from subsidiary companies	23,553	16,547
• from associated companies	329	177
Total	23,882	16,724

OTHER OPERATING EXPENSES

in thousands of Euro	2003	2002
• from subsidiary companies	63	47
Total	63	47

The costs charged by Group companies mainly relate to the purchase of machines, agency commissions and consultancy.

FINANCIAL INCOME AND EXPENSE

OTHER FINANCIAL INCOME

in thousands of Euro	2003	2002
• Interest on amounts due from subsidiaries	437	552
Total	437	552

This interest relates to loans made.

INTEREST AND OTHER FINANCIAL EXPENSE

in thousands of Euro	2003	2002
• Charges from parent companies	14	13
Total	14	13

These charges relate to guarantees received.

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

The Company has complied with the recommendations made by Consob in its communications 97001574 of February 20, 1997 and 98015375 of February 27, 1998; in detail:

- article 17 of the Company's articles of association requires that the directors to whom powers have been delegated, provide an up-to-date report during board meetings and, in any case, at least every quarter, on the results of their activities and on the most important operations undertaken by the Company and its subsidiaries and any transactions that may present a potential conflict of interests. This provision means that the Board of Statutory Auditors receives the information required under article 150 of Decree Law 58 of February 24, 1998, while allowing the other members of the Board of Directors to have regular information concerning the conduct of those directors invested with executive powers.

The reform of company law requires that the persons with delegated powers report to the Board of Directors and the Board of Statutory Auditors, with the frequency specified in the Statute (every quarter in the Company's case), on the results of operations and the outlook for the future, as well as on the principal transactions, in terms of size and nature, carried out by the Company and its subsidiaries. Obviously enough, IMA S.p.A. complies and will continue to comply with this legal requirement;

- the directors with delegated powers have therefore provided proper and timely information on significant transactions carried out in the exercise of their powers, including major transactions carried out within the Group. Transactions with related parties can only be authorized by the Board of Directors, except for those that the Company carries out with its subsidiaries. In this latter case, the Board must still always give consent for transactions with a major economic, capital or financial impact. This Board responsibility was confirmed by the resolution adopted at the meeting held on May 5, 2003, regarding the delegation of operational powers;
- certain members of the Board of Statutory Auditors of IMA also hold positions at CO.Ma.DI.S. S.p.A. and INFO AREA S.r.l.; many of the subsidiaries are governed by foreign laws, while other Italian companies do not meet the requirements for appointing a Board of Statutory Auditors.

**CORPORATE GOVERNANCE
AND CODE OF CONDUCT**

For information on the Company's system of Corporate Governance and its application of the Code of Conduct, you are referred to the communication provided to stockholders together with documentation for the annual general meeting. This communication was made in accordance with Section IA.2.12. of the Instructions for the Regulation of organized markets managed by Borsa Italiana S.p.A. dated March 18, 2003.

Pursuant to art. 4.3 of the Code of Self-Regulation, it is confirmed that the Board Meeting held on May 5, 2003, granted the Chairman powers of ordinary and extraordinary administration, with certain exceptions that are set out on page 6 of this report.

The reason for this decision is that, despite the presence of a Managing Director, the Chairman has also been given operational responsibilities.

As per art. 1.3 of the Code of Conduct, the Board hereby discloses the other directorships and auditor positions held by the Company's directors in listed companies, including foreign companies, and in finance companies, banks, insurance companies and other large companies, based on declarations received from these persons:

Mauro Gambaro

- IMMSI S.p.A. (Director)
- SNIA S.p.A. (Director)
- SORIN S.p.A. (Director)
- Berni s.r.l. (Chairman of the Board of Directors)
- Credito Industriale Sammarinese S.A. (Director)
- Ducati Energia S.p.A. (Director)
- Finantia S.A (Director)
- F.C. Internazionale Milano S.p.A. (Director)
- Interbanca Gestione Investimenti SGR S.p.A. (Chairman of the Board of Directors)
- Interbanca International Holding S.A (Vice Chairman and Managing Director)
- Mark IV Industries Inc. (Director)
- Marsilli & Co. S.p.A. (Director)
- Air Europe S.p.A. (Director)
- Promotor International S.p.A. (Director)
- SCC S.p.A. (Chairman of the Board of Directors)
- Volare Group S.p.A. (Director)
- Volare Airlines S.p.A. (Director)

Andrea Malagoli

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

Italo Giorgio Minguzzi

- Ferretti S.p.A. (Auditor)
- Ducati S.p.A. (Auditor)
- GRTN S.p.A. (Director)

Luca Poggi

- Lopam Fin S.p.A. (Chairman of the Board of Statutory Auditors)
- Emil Europe '92 S.r.l. (Chairman of the Board of Statutory Auditors)
- Immobiliare Nettuno S.p.A. (Auditor)
- San Paolo IMI Insurance Broker S.p.A. (Auditor)

Maria Carla Schiavina

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

Marco Vacchi

- Fin Vacchi Finanziaria Vacchi S.p.A. (Chairman)
- Lopam Fin S.p.A. (Chairman)
- B Group S.p.A. (Vice Chairman)
- Banca di Bologna Credito Cooperativo SCRL (Director)
- Fondazione Cassa di Risparmio in Bologna (Stockholder)

Alberto Vacchi

- Fin Vacchi Finanziaria Vacchi S.p.A. (Director)
- B Group S.p.A. (Director)
- ALVA S.r.l. (Sole Director)

Gianluca Vacchi

- Fin Vacchi Finanziaria Vacchi S.p.A. (Director)
- Cofiva Holding S.p.A. (Sole Director)
- G. V. Invest S.r.l. (Sole Director)
- AL.GI. S.r.l. (Sole Director)
- W.I.N. Web Investment Network N.V. (Director)
- Cofiva S.A. (Director)
- Medinvest International SCA (Member of Supervisory Board)
- Interactive Group S.p.A. (Sole Director)
- S.E.A. Società Europea Autocaravan S.p.A. (Chairman)

Romano Volta

- Datalogic S.p.A. (Chairman)
- Datasensor S.p.A. (Chairman)
- Aczon Pharma S.p.A. (Chairman)
- San Paolo IMI Fondi Chiusi SGR S.p.A. (Director)
- Summa Finance (Chairman)
- Fondazione Cassa di Risparmio in Bologna (Stockholder and member of Governing Board)

**CONSOB DECISION NO.11971
OF MAY 14, 1999**

In compliance with the requirements of this decision, the following schedule sets out the equity investments held by directors, statutory auditors, general managers and their spouses and under-age children in IMA and its subsidiary companies.

Name and surname	Company held	held at end of previous - year	No. shares purchased	No. shares sold	No. shares held at end of current - year
Piero Aicardi	IMA S.p.A.	–	3,000	–	3,000
Luca Poggi	IMA S.p.A.	164,630	35,370	–	200,000
Alberto Vacchi	IMA S.p.A.	9,884	–	–	9,884
Gianluca Vacchi	IMA S.p.A.	4,742,843	–	–	4,742,843
Stefano Visentini	IMA S.p.A.	73,500	–	–	73,500
Romano Volta	IMA S.p.A.	42,000	–	–	42,000

THE CHAIRMAN OF THE BOARD OF DIRECTORS
MARCO VACCHI

**CONSOLIDATED BALANCE SHEET AND
CONSOLIDATED STATEMENT OF INCOME
AS OF DECEMBER 31, 2003**

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 BALANCE SHEET

AS OF DECEMBER 31, 2003 AND COMPARISON WITH DECEMBER 31, 2002 (IN THOUSANDS OF EURO) - (TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

ASSETS	December 31, 2003		December 31, 2002	
	Partial	Total	Partial	Total
A. DUE FROM SHAREHOLDERS FOR CAPITAL NOT PAID IN		-		-
B. FIXED ASSETS				
<i>I. Intangible assets</i>				
Incorporation and subsequent expenses	874		988	
Research and Development costs	-		3	
Industrial patent and intellectual property rights	549		499	
Concessions, licences, trademarks and similar rights	4.783		5.290	
Goodwill	14.251		16.343	
Differences on consolidation	20.233		23.219	
Intangible in progress and payments on accounts	587		74	
Other	1.712		2.432	
<i>Total intangible assets</i>		42.989		48.848
<i>II. Tangible assets</i>				
Land and buildings	31.346		23.625	
Plant and machinery	15.155		14.866	
Production and commercial equipments	2.044		1.662	
Other	3.831		4.599	
Tangible in course of construction and advance payments	6.287		5.566	
<i>Total tangible assets</i>		58.663		50.318
<i>III. Financial assets</i>				
Investments				
- subsidiaries	25		37	
- associated companies	388		335	
- other	71		6.174	
Receivables	1.021		1.240	
Securities	3.641		3.621	
<i>Total financial assets</i>		5.146		11.407
TOTAL FIXED ASSETS (B)		106.798		110.573
C. CURRENT ASSETS				
<i>I. Inventories</i>				
Raw material, ancillary materials and consumables	12.079		11.610	
Work in progress and semi-finished goods	96.115		97.710	
Contract work in progress	6.605		1.926	
Finished goods	2.617		3.686	
Advances	3.633		3.847	
<i>Total inventories</i>		121.049		118.779
<i>II. Receivables</i>				
Receivables due after next accounting period				
- receivables	941		5.626	
- other	3.172		1.692	
Total receivables due after next accounting period		4.113		7.318
Receivables due within next accounting period				
- receivables	75.726		90.284	
- subsidiaries	77		135	
- associated companies	-		4	
- parent company	3		3	
- other	10.876		10.695	
Total receivables due within accounting period		86.682		101.121
<i>Total receivables</i>		90.795		108.439
<i>III. Financial assets not representing fixed assets</i>				
Own shares	-		3.260	
Marketable securities	340		868	
Financial receivables not representing fixed assets	127		634	
<i>Total financial assets not representing fixed assets</i>		467		4.762
<i>IV. Cash in bank and on hand</i>		54.827		43.963
TOTAL CURRENT ASSETS (C)		267.138		275.943
D. PREPAID EXPENSES AND ACCRUED INCOME		2.619		2.425
TOTAL ASSETS		376.555		388.941

CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2003 AND COMPARISON WITH DECEMBER 31, 2002 (IN THOUSANDS OF EURO) - (TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

LIABILITIES	December 31, 2003		December 31, 2002	
	Partial	Total	Partial	Total
A. STOCKHOLDERS' EQUITY				
I. Capital stock	18.772		18.772	
II. Share premium reserves	16.382		16.382	
III. Revaluation reserves	395		395	
IV. Legal reserves	4.397		4.675	
V. Reserve for treasury stock	-		3.260	
VI. Other reserves	17.801		24.328	
VII. Accumulated translation adjustments	(1.413)		(11)	
VIII. Retained earnings	20.562		14.625	
IX. Group net income	18.963		24.431	
Group Stockholders' equity		95.859		106.857
Third parties capital stock and reserves		2.246		2.314
GROUP AND THIRD PARTIES STOCKHOLDERS' EQUITY (A)		98.105		109.171
B. RESERVES FOR RISKS AND CHARGES				
Taxation reserves	-		60	
Other	6.105		5.818	
TOTAL RESERVES FOR RISKS AND CHARGES (B)		6.105		5.878
C. RESERVE FOR EMPLOYEE TERMINATION INDEMNITIES		21.453		19.914
D. PAYABLES				
Payables due after next accounting period				
- Bank	44.170		51.248	
- Other financiers	7.394		-	
- Suppliers	10		1	
- Taxes	-		131	
- Other	-		321	
Total payables due after next accounting period		51.574		51.701
Payables due within next accounting period				
- Banks short term	74.627		67.247	
- Other financiers	1.238		1.100	
- Advances	28.379		27.130	
- Suppliers	69.722		79.456	
- Subsidiaries	562		449	
- Associated companies	14		-	
- Taxes	4.772		6.175	
- Provident and social security institutions	3.904		3.341	
- Other	11.123		12.298	
Total payables due within next accounting period		194.341		197.196
TOTAL PAYABLES (D)		245.915		248.897
E. ACCRUED EXPENSES AND DEFERRED INCOME		4.977		5.081
TOTAL LIABILITIES		376.555		388.941
MEMORANDUM ACCOUNTS				
Personal guarantees granted	8.396		5.753	
Commitments	14.998		18.766	
Contingencies	47.679		25.938	
TOTAL		71.073		50.457

CONSOLIDATED STATEMENT OF INCOME

AS OF DECEMBER 31, 2003 AND COMPARISON WITH DECEMBER 31, 2002 (IN THOUSANDS OF EURO) - (TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

	2003		2002	
	Partial	Total	Partial	Total
A. VALUE OF PRODUCTION				
<i>Revenues from the sale of goods and services</i>		345.633		351.480
<i>Change in work in progress, semifinished goods</i>		(818)		27.658
<i>Change in contract work in progress</i>		4.679		1.926
<i>Increase in fixed assets for internal work</i>		1.608		736
<i>Other revenues and income</i>				
- contributions towards operating costs	494		622	
- revenues and other income	3.159		1.693	
<i>Total other revenues and income</i>		3.653		2.315
TOTAL VALUE OF PRODUCTION (A)		354.755		384.115
B. PRODUCTION COSTS				
<i>Raw materials, ancillary materials and consumables</i>		116.197		136.029
<i>Service cost</i>		71.497		74.858
<i>Expenses relating to the use of third party assets</i>		5.429		5.672
<i>Personnel</i>				
- salaries and wages	76.086		72.934	
- social contributions	22.317		20.655	
- employee termination indemnities	4.109		3.914	
- other	733		1.074	
<i>Total personnel costs</i>		103.245		98.577
<i>Depreciation, amortization and write-downs</i>				
- amortization of intangible fixed assets	8.833		8.373	
- depreciation of tangible fixed assets	6.818		6.670	
- write-down of receivables included in current assets	382		634	
<i>Total depreciation and write-down</i>		16.033		15.677
<i>Change in raw materials, ancillary materials, consumables and goods for resale</i>		(493)		2.362
<i>Provision for risks and other</i>		1.043		694
<i>Other operating expenses</i>		2.555		3.129
TOTAL PRODUCTION COSTS (B)		315.506		336.998
DIFFERENCE BETWEEN THE VALUE OF PRODUCTION AND PRODUCTION COSTS (A-B)		39.249		47.117
C. FINANCIAL INCOME AND EXPENSES				
<i>Income from investments</i>				
- dividends and other income from other companies	8		957	
<i>Total income from investments</i>		8		957
<i>Other financial income</i>				
- from securities classified under fixed assets not representing investments	274		61	
- from securities classified under current assets not representing investments:				
capital gains	756		290	
interest	15		26	
- income other than that listed above				
interest and financial commissions	2.006		2.502	
exchange differences	6.040		6.403	
<i>Total other financial income</i>		9.091		9.282
<i>Interest and other financial charges</i>				
other financial charges from parent companies	14		13	
- other	6.918		6.992	
- exchange differences	6.176		6.530	
<i>Total interest and other financial charges</i>		13.108		13.535
TOTAL FINANCIAL INCOME AND EXPENSES (C)		(4.009)		(3.296)
D. ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS				
<i>Revaluations</i>		77		98
<i>Write-offs</i>		64		5
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)		13		93
E. EXTRAORDINARY INCOME AND EXPENSES				
<i>Income</i>				
- gains on disposals of fixed assets	45		254	
- other extraordinary income	1.488		-	
<i>Total income</i>		1.533		254
<i>Expenses</i>				
- losses on disposals of fixed assets	97		-	
- taxes relative to prior periods	505		354	
<i>Total expenses</i>		602		354
TOTAL EXTRAORDINARY ITEMS (E)		931		(100)
RESULT BEFORE TAXES		36.184		43.814
<i>Income taxes</i>				
- income taxes	18.746		19.599	
- deferred taxes	(1.829)		(616)	
<i>Total taxes</i>		16.917		18.983
NET INCOME INCLUDING MINORITY INTEREST		19.267		24.831
THIRD PARTY NET INCOME		304		400
GROUP NET INCOME		18.963		24.431

EXPLANATORY NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENT AS OF DECEMBER 31, 2003
(TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

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, pharmaceuticals 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.B. - International Accounting Standards Board, if in line with Italian rules.

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, 2003 were prepared using the statutory financial statements of the individual consolidated companies as of the same date, except for the Indian subsidiary, whose statutory financial statements are closed at March 31. That Company has therefore prepared financial statements for the 12 month period ending on December 31, 2003 for consolidation purposes only.

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 are 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.
- Investments purchased or disposed of during the year are consolidated as long as they are held by the Group.

B) CONVERSION OF FINANCIAL STATEMENTS OF FOREIGN COMPANIES TO EURO

Financial statements of foreign subsidiaries which have been prepared in currencies not included in the Euro are converted to Euro using the exchange rate prevailing at 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:

	2003		2002	
	Year end exchange rate	Average exchange rate	Year end exchange rate	Average exchange rate
U.S Dollar	0.79177	0.88417	0.95356	1.05820
LSC	1.41884	1.44571	1.53728	1.59058
Yen	0.00740	0.00764	0.00804	0.00847
Indian Rupee	0.01737	0.01884	0.01980	0.02123
Thai Baht	0.01999	0.02132	0.02212	0.02462

4) CONSOLIDATION AREA

The consolidated financial statements as of December 31, 2003 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 Kilian Verwaltung GmbH and IMA Lanka Ltd, as following disclosed.

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

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

	Seat		Capital stock	Directly owned	Indirectly owned
Italian companies:					
• I.M.A. Industria Macchine Automatiche S.p.A	Ozzano E. (BO)	EURO	18,772,000	Parent Company	
• CO.MA.DI.S. S.p.A.	Senago (MI)	EURO	1,540,000	100%	–
• Libra P.T. S.r.l.	Ozzano E. (BO)	EURO	1,040,000	100%	–
• Ignition Team S.r.l.	Castenaso (BO)	EURO	78,000	100%	–
• Info Area S.r.l.	Ozzano E. (BO)	EURO	98,800	100%	–
• Comitec S.r.l.	Castel S. Pietro (BO)	EURO	52,000	100%	–
Foreign companies:					
• Luxteco International SA	Luxembourg	EURO	3,600,000	99.99%	–
• Holteco B.V.	Amsterdam (NL)	EURO	920,000	100%	–
• IMA UK Ltd.	Wokingham (GB)	LST	50,000	100%	–
• IMA North America Inc.	Bristol (USA)	USD	2,500	100%	–
• I.M.A. Est Verp. Handels GmbH	Wien (A)	EURO	280,000	100%	–
• IMA Verp. GmbH	Colonia (D)	EURO	90,000	100%	–
• IMA France E.u.r.l.	Rueil-Malmaison (F)	EURO	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 Xiniuha 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 (P)	EURO	5,000	100%	–
• IMA Iberica Processing and Packaging SL	Barcelona (E)	EURO	590,000	100%	–
• Kilian GmbH & Co. KG	Colonia (D)	EURO	3,600,000	–	100% (4)

**COMPANIES EVALUATED
USING THE EQUITY
METHOD**

	Seat		Capital stock	Directly owned	Indirectly owned
B.C. S.r.l.	Imola (BO)	EURO	36,400	30%	–

**COMPANIES EVALUATED
USING THE COST
METHOD**

	Seat		Capital stock	Directly owned	Indirectly owned
IMA Lanka Ltd.	Colombo (Sri Lanka)	RSL	975,000	–	100% (1)
Kilian Verwaltung Gmbh	Colonia (D)	EUR	25,000	–	100% (4)

Notes (detail of the indirectly owned companies)

(1) Owned by Holteco B.V.

(2) Owned by Luxteco Int. S.A. (99%) and Holteco B.V. (1%)

(3) Owned by IMA Far East Co. Ltd.

(4) Owned by IMA Verpackungssysteme Gmbh

Kilian Verwaltung Gmbh, operates mainly as active partner of Kilian Gmbh & Co. KG. The investments in Kilian Verwaltung Gmbh has been valued using the cost method, as it is not significant in order to give a true and fair view of the consolidated financial statements. Ima Lanka Ltd., fully owned by Holteco B.V., has its seat in Sri Lanka and has provided after-sale services related to the tea sector machines in the local market. On July 11, 2003 the liquidation process of the company has been started, as the use of alternative ways to manage sales in that market is believed to be more convenient. The investment in that company has been valued using the cost method, reduced for any permanent impairment in value. No significant liabilities, other than those provided in the company's financial statements, are expected from the liquidation process.

OTHER INFORMATION

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

- Absorption by IMA S.p.A. of BFB S.p.A., effective starting from January 1, 2003.
- Liquidation of the Japanese associated Joy Pack Company. Ltd., completed on June 2003. No liability has resulted for the Group from it.
- On July 21, 2003 the Parent Company has sold to third parties the investment in Libra Immobiliare S.r.l., fully owned, at a price amounting to Euro 2,916 thousands. This sale generated a capital gain amounting to Euro 1,488 thousands, which has been reflected as extraordinary income.

- A new company, Zibo IMA Xinhua Pharmatec Co. Ltd., was set up in July 2003 with registered offices in Zibo (PRC) to coordinate the Group's production and sales policies in China. Moreover, IMA Far East Co. Ltd., a Group company, has also increased its holding in Zibo IMA Xinhua Machinery Manufacturing Co. Ltd., buying 22% from the partner Xinhua Machinery which raises its overall stake to 82%. This process of reorganization has also involved, on October 2003, the setting up of a new marketing company in Thailand, which will be responsible for coordinating Group policies throughout South-East Asia, as well as of a further company, IMA Packaging and Processing Equipment (Beijing), with registered offices in Zibo (PRC), on December 2003.
- Liquidation of the subsidiary IMA Japan Co. Ltd., completed on September 12, 2003. The liquidation generated a loss amounting to Euro 284 thousands, mainly due to the result of that company for the period.
- Moreover, during the year 2003 the Group Officers have deliberated the absorption by IMA S.p.A. of Libra Pharmaceutical Technologies S.r.l. and Ignition Team S.r.l., whose effects will start from January 1, 2004.

Finally, within the reorganization of the Group's activities in South-East Asia, during the year 2004 the 82% interest in Zibo IMA Xinhua Machinery Manufacturing Co. Ltd. has been transferred from IMA Far East Co. Ltd. to IMA S.p.A., at book value. Moreover, during the year 2004, the capital stock of IMA Far East Ltd. has been increased by 1.10 million US dollars by the waiver of financial receivables due to Luxteco International S.A., the immediate parent company.

5) VALUATION CRITERIA

The most significant valuation criteria adopted in the preparation of the consolidated financial statements as of December 31, 2003 of IMA Group, consistently applied except for what disclosed with reference to the valuation criteria used for the Intangible Assets as far as the R&D costs are concerned, 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 | 3/5 year |
| • Concessions, licenses, trademarks and similar rights | 5 year |
| • Trademarks | 10 year |
| • Goodwill | 10 year |
| • Differences on consolidation | 4/10/15 year |
| • Other | 5/10 year/period of contract |

Research and Development costs are usually charged to operations in the period they are sustained, except for the costs incurred during the year 2003 for those projects related to products completely new, having all the requirements to be capitalized as intangible assets, according to the applicable accounting principles. These costs will be amortized from the time the product begins to generate the related economic benefits.

**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 permanent impairment of 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 Euro 0.52 thousands 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 Board (I.A.S.B.).

It provides that:

- the cost is attributed to tangible assets and 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 and the net equity 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 and are 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) SECURITIES
NOT CLASSIFIED
AS FIXED ASSETS**

Securities not classified as fixed assets are stated at the lower of cost and market value, determined on the basis of prices at year end.

G) RECEIVABLES

Receivables are stated at their expected realizable value.

**H) 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.

**I) 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.

**L) 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.

M) PAYABLES

Payables are stated at their nominal value.

N) 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.

**O) 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.

**P) 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.

**Q) TRANSLATION CRITERIA
FOR BALANCES IN
FOREIGN CURRENCY**

Receivables and payables denominated in foreign currency are translated into Euro 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 income 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.

6) OTHER INFORMATION

A) STATEMENT OF VALUE

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

B) INFORMATION BY SECTOR OF BUSINESS AND GEOGRAPHICAL AREA

In compliance with the CONSOB's circular (segment information) the reports on operations include the information by operating sector (tea packaging, pharmaceuticals packaging and pharmaceuticals processing). 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 from those showed in the report on operations.

The analysis of sales by geographic area is included in the following section related to comments on the principal income statement balances.

C) ADJUSTMENT OF PRIOR YEAR FINANCIAL STATEMENTS

As disclosed below, further to an analysis performed on the classification of inventories, the classification of the obsolescence reserve for the raw materials and the work in progress has been revised. For comparison purposes, the related balances as of December 31, 2002 have been restated accordingly.

D) TRANSITION TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In accordance with Commission Regulation (EC) no. 1725/2003 and Regulation (EC) no.1606/2002 of the European Parliament and of the Council, European companies whose shares are traded on a regulated market must adopt International Financial Reporting Standards (IFRS) for the preparation of their 2005 consolidated financial statements.

The Italian Parliament approved the 2003 Community law on October 23, 2003. Article 25 of this law empowers the Government to add the statutory financial statements of listed companies to the above requirement to adopt the new international accounting standards as from January 1, 2005.

In order to properly manage the transition to the IFRS, the IMA Group has formed specific workshops, involving the responsables of all the functions mainly affected by the change in the accounting principles.

The highlight of the IMA Group approach to the transition to the IFRS is as follows:

1. Overall analysis of the main accounting and organizational effects resulting from the IFRS adoption and planning of the related activities to be performed.
2. Detailed analysis of the effects on the accounting and the information systems.

3. Arrangement of the Group processes and systems for the adoption of the new accounting principles; realization of the planned steps; training of the human resources; adoption of the new accounting principles – for internal purposes – in the preparation of the balance sheet as of December 31, 2003 in order to have proper opening balances and value the effects resulting from the IFRS adoption; preparation of the first financial statements according to the new principles; valuation of the effects resulting on the quarterly accounts, considering as well that they have to be compared with the 2005 figures.

At the moment, the activities disclosed in the above paragraphs 1. and 2. have been quite completed, while the activities disclosed in paragraph 3. are going to be performed.

Based on the analysis performed up to now, the main changes in the accounting principles will affect the following captions:

Intangible Assets: according to IAS 38:

- the development cost will be capitalized as intangible assets;
- the goodwill will not probably depreciated any more, but it will be valued by the way of impairment tests.

Tangible Assets: according to IAS 16 and IFRS 1:

- entire classes of tangible assets can be carried at the fair value.

Inventories: according to IAS 2 and IFRS 11:

- a part of the work in progress now valued at cost should be carried using the completion percentage method;
- inventories now valued using the LIFO method should be valued according to the Average Weighted Cost Method or to the FIFO Method.

Reserve for employee termination indemnities: according to IAS 19:

- defined benefit plans (as the reserve for employee termination indemnities due according to the Italian rules has to be considered) have to be valued using actuarial techniques

Financial derivatives: according to IAS 32 and IAS 39:

- the accounting treatment of the financial derivatives has not yet clearly defined. A revised release for both the above documents issued by the IASB is still in going to be analyzed by international accounting organizations.

According to IFRS 1, all the adjustments resulting from the first time IFRS adoption shall be recognized directly in retained earning at the date of January 1, 2004.

E) 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.

7) 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 (in thousands of Euro):

	Net value
Balance as of December 31, 2002	48,848
Increase (decrease) of the period:	
additions	3,047
amortization	(8,833)
disposals	(7)
translation differences	(66)
Balance as of December 31, 2003	42,989

The incorporation and subsequent expenses, amounting to Euro 874 thousands (Euro 988 thousands as of December 31, 2002), mainly refer to the costs incurred during the year to set up the companies IMA Pacific Co. Ltd. and IMA Packaging and Processing Equipment (Beijing) Co. Ltd., and to the costs incurred by the Parent Company, in previous years in connection with the merge of BFB S.p.A., the acquisition of the businesses from CO.MA.DI.S. S.p.A. and ICO OLEODINAMICI S.p.A., and the acquisition of G.S. S.r.l. Coating System. The item includes Euro 201 thousands connected to services rendered by a related party.

The caption "Industrial patent and intellectual property rights", amounting to Euro 549 thousands (Euro 499 thousands as of December 31, 2002), includes the costs for the acquisition of the rights related to industrial patents, net of depreciation. The increase of the year (corresponding to Euro 544 thousands) is mainly due to costs related to the protection and extension of such patents in other countries.

The caption "Concessions, licenses, trademarks and similar rights", amounting to Euro 4,783 thousands (Euro 5,290 thousands as of December 31, 2002), includes Euro 4,714 thousands related to technical software. The increase of the year (corresponding to Euro 1,394 thousands) is mainly due to the purchase of new software.

The movements of the item "Goodwill" during the period are shown in the table below (in thousands of Euro):

	Balance as of December 31, 2002	Increase	Amortizat.	Balance as of December 31, 2003
Purchase of business from G.S. S.r.l. Coating System	8,556	–	(1,154)	7,402
Purchase of business from ICO OLEODINAMICI S.p.A.	3,490	–	(423)	3,067
Purchase of business from CO.MA.DI.S. S.p.A.	4,297	–	(515)	3,782
Total	16,343	–	(2,092)	14,251

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.

The item "Differences on consolidation" relates to the excess of cost paid for the acquisitions of BFB S.p.A., Kilian GmbH & Co. KG and Comitec S.r.l., performed in previous years.

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

The analysis of the movement of the caption and its accumulated depreciation occurred during the period is the following (in thousands of Euro):

	Amortization period	Balance as of Decemb. 31, 2002	Difference accounted in the period	Amortization and write off	Balance as of Decemb. 31, 2003
B.F.B. S.p.A.	10	2,683	–	(895)	1,788
Kilian GmbH & Co. KG	15	19,626	–	(1,636)	17,990
Comitec S.r.l.	4	910	–	(455)	455
Total		23,219	–	(2,986)	20,233

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 as well, the Group management consider the 15 year amortization period as the period during which the benefits expected from the acquisition will take place.

The item "Intangibles in progress and payments on accounts", totally amounting to Euro 587 thousands, is related, for Euro 503 thousands, to the capitalization of development costs, incurred by the Parent Company during the year 2003 in order to realize a completely new product for the pharmaceutical packaging, having them all the requirements to be capitalized as intangible assets according to the applicable accounting principles. The capitalization of such costs represents a partial change in the Group accounting principles, stating before that all the R&D costs should be expensed as incurred. The market launch for the new product is planned for the end of 2004.

Moreover, the item includes Euro 23 thousands connected to services rendered by a related party.

The item "Other intangible assets", amounting to Euro 1,712 thousands, is mainly related to consultancy services rendered for research projects as well as for the implementation of accounting, financial, managerial and technical systems, and to improvements to assets owned by third parties.

B) TANGIBLE ASSETS

The tangible assets and their accumulated depreciation at the end of 2003 and 2002 are the following (in thousands of Euro):

	12.31.2003		12.31.2002	
	Gross value	Accumulated depreciation	Net value	Net value
Land and buildings	39,520	(8,174)	31,346	23,625
Plant and machinery	38,934	(23,779)	15,155	14,866
Industrial and commercial equipment	12,151	(10,107)	2,044	1,662
Other	19,402	(15,571)	3,831	4,599
Tangible in course of construction and payments on account	6,287	–	6,287	5,566
Total	116,294	(57,631)	58,663	50,318

The analysis of the movement of tangible assets and their accumulated depreciation occurred during the period is the following (in thousands of Euro):

Gross	Accumulated Value	Net depreciation	Net value
Balances as of December 31, 2002	104,983	(54,665)	50,318
Increases (decreases) in the period:			
• purchases	17,780	–	17,780
• depreciation	–	(,818)	(6,818)
• disposals	(5,448)	3,479	(1,969)
• variation in consolidation area	(232)	16	(216)
• translation differences	(789)	357	(432)
Balances as of December 31, 2003	116,294	(57,631)	58,663

The main purchases in the period refer to:

- Land and buildings for Euro 8,522, mainly related to the capitalization of the value, amounting to Euro 8,053 thousands, of the land and the industrial building acquired through a financial leasing by the subsidiary Libra P.T. S.r.l., consigned on August 2003. An amount of Euro 1,054 thousands of these costs have been reflected as “Tangibles in course of construction and payments on account” at December 31, 2002. Moreover, the item includes Euro 634 thousands related to the costs incurred for the enlargement of the building located in Bentivoglio (BO), Via Romagnoli 2, owned by the Parent Company.
- Plant and machinery, for Euro 3,732 thousands, related for Euro 1,749 thousands to the capitalization of the plants connected to the building leased to Libra P.T. S.r.l., above disclosed, and for Euro 913 thousands to the capitalization of the costs incurred for new machineries in order to strengthen the Parent Company’s workshop. Of such costs, Euro 589 thousands relate to machineries directly produced by the Parent Company. Moreover, the item includes Euro 628 thousands, related to the costs incurred for the enlargement and the adaptation of the plants connected to the building located in Bentivoglio (BO), Via Romagnoli, 2.

- Production and commercial equipment for Euro 1,156 thousands, of which Euro 457 thousands related to the capitalization of internally produced equipments, to be permanently used in the production process.
- Tangible in course of construction and advance payments for Euro 2,702 thousands, related for Euro 2,148 thousands to the enlargement of the building located in Via Emilia n. 428/442, and for Euro 204 thousands to the construction of a new service centre in Via Io Maggio. Both of them are owned by the Parent Company.

The main decreases refer to the items "Land and buildings" and "Plant and Machinery", and are mainly due to:

- the disposal of the lands owned by the Parent Company, located in Tolara – Ozzano dell’Emilia. In particular, lands having a carrying value amounting to Euro 97 thousands have been transferred free, mainly to the “Comune di Ozzano dell’Emilia”, as stated by the lotting convention signed on September 22, 2003, as well as lands having a carrying value amounting to Euro 328 thousands have been sold to third parties. Losses amounting to Euro 97 thousands and gains amounting to Euro 45 thousands, classified as extraordinary items, have resulted from such disposals;
- the disposal of the building located in Calenzano (FI), Via Baldanzese n. 149, consequent to the disposal of the investment held by the Parent Company in Libra Immobiliare S.r.l. The sale has generated a gain amounting to Euro 1,488 thousands, classified as “Extraordinary income”
- the disposal of machinery having a carrying value amounting to Euro 541 thousands, produced by the Parent Company in previous years and capitalized as used to perform technical tests in the production process. Such disposal has generated a gain amounting to Euro 313 thousands, classified as “Other income”.

Tangibles assets, still held at December 31, 2003, have been revalued in prior periods as follows (in thousands of Euro):

	Revaluation L.72/83	Revaluation L.413/91	Other Revaluations	Total
Land and buildings	831	1,587	29	2,447
Plant and machinery	100	–	385	485
Industrial and commercial tools	48	–	55	103
Other tangible assets	8	–	98	106
Total	987	1,587	567	3,141
(less) Accumulated depreciation	(699)	(506)	(567)	(1,772)
Total	288	1,081	–	1,369

The "Other revaluations" include the revaluation of the technical assets made voluntarily, on the basis of a specific appraisal, in the year 1988 by Nuova Zanasi S.p.A., absorbed by IMA S.p.A. during the year 1990.

C) FINANCIAL ASSETS

INVESTMENTS

Investments comprise the following (in thousands of Euro):

	Percentage of ownership	12.31.2003	12.31.2002
Subsidiary companies:			
• IMA Lanka Ltd	100%	0	12
• Kilian Verwaltung Gmbh	100%	25	25
		25	37
Associated companies:			
• J.O.I. Pack Co. Ltd.	–	–	24
• B.C. S.r.l.	30%	388	311
		388	335
Other companies		71	6,174
Total		484	6,546

INVESTMENTS IN ASSOCIATED COMPANIES

The increase of the investment in B.C. S.r.l., amounting to Euro 77 thousands, is given to the adjustment to the carrying value according to the net equity method. As above disclosed, the liquidation of Joy Pack Company Ltd, held at 50%, has been completed on June 2003: no liability has arisen for the Group from it.

OTHER COMPANIES

The decrease of the item is mainly due to the disposal of the investment held by Luxteco International S.A. in Medinvest International S.C.A., sold to the ultimate parent company FIN-VACCHI S.p.A. on November 12, 2003 at a price amounting to Euro 6,060 thousands, slightly higher than its carrying value. Almost the 50% of such investment has been sold later on by FIN-VACCHI S.p.A. to third parties at prices substantially aligned to the carrying value.

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 mainly 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 (in thousands of Euro):

	12.31.2003		12.31.2002	
	Gross value	Obsolescence reserve	Net value	Net value
Raw materials, ancillary materials and consumables	14,334	(2,255)	12,079	11,610
Works in progress and semi-finished goods	107,781	(11,666)	96,115	97,710
Contract work in progress	6,605	–	6,605	1,926
Finished goods	4,121	(1,504)	2,617	3,686
Payments on account	3,633	–	3,633	3,847
Total	136,474	(15,425)	121,049	118,779

At December 31, 2003, as previously disclosed, following further to an analysis performed on the classification of inventories, the classification of the obsolescence reserve for the raw materials and the work in progress has been revised. For comparison purposes, the related balances as of December 31, 2002 have been restated accordingly.

The increase of the item is mainly due to the increase of “Works in progress and semi-finished goods”, made up by contracts based on specific customer orders carried out for a period longer than one year, and therefore valued according to the stage of completion method. In particular, the agreement signed in connection to one of them, whose value at December 31, 2003 is equal to Euro 4,279, states that, in the case the required performances cannot be achieved, IMA S.p.A. has to return the payments made in advance by the customer, amounting at December 31, 2003 to Euro 2,250 thousands. No provision has been booked in the consolidated financial statements as the Group Management, based on the Group multiannual experience as well as on the opinion of its technicians, believes that the contract will have a positive result. Consequently, the contract has been valued using the stage of completion method.

Advances related to contract work in progress have been invoiced to customers for a total amount of Euro 3,258 thousands.

Had been the Raw material, ancillary materials and consumables and semi-finished goods valued using the current cost method rather than the LIFO method actually used, they would have been higher by Euro 419 thousands at December 31, 2003 (Euro 340 thousands as of December 31, 2002).

B) RECEIVABLES

TRADE RECEIVABLES

The balance of trade receivables at year end is analyzed as follows (in thousands of Euro):

	12.31.2003		12.31.2002	
	Gross value	Reserve	Net value	Net value
Receivables due within one year	77,562	(1,836)	75,726	90,284
Receivables due after one year	1,238	(297)	941	5,626
Total	78,800	(2,133)	76,667	95,910

Trade receivables as of December 31, 2003 show a decrease by Euro 19,243 thousands as a consequence of the more effective credit management.

The item comprises Euro 892 thousands related to receivables due to the Parent Company for a sale realised in the year 2002, whose collection terms have been delayed as a consequence of certain technical claims. The claims are expected to be settled in a very short time: the Group management believes that the carrying value of these receivables represents their actual realizable value, considering the specific provision accrued in the bad debt reserve as well.

During the year, trade receivables amounting to Euro 18,393 thousands have been sold “*pro soluto*” as well as trade receivables amounting to Euro 2,472 thousands have been sold “*pro solvendo*”. Trade receivables sold “*pro soluto*” still outstanding as of December 31, 2003 amount to Euro 11,940 thousands (Euro 15,581 thousands as of December 31, 2002), of which Euro 9,159 thousands have been sold to factoring companies.

Trade receivables due after one year mainly relate to the acquisition of orders so significant, that extraordinary payment extensions have been granted to the customers. Payment extensions given to customers located in countries at risk are guaranteed by adequate financial instruments.

There are not trade receivables due after 5 years.

RECEIVABLES FROM SUBSIDIARIES, ASSOCIATED COMPANIES AND PARENT COMPANIES

The balance is comprised as follows (in thousands of Euro):

	12.31.2003	12.31.2002	Differences
Receivables from subsidiaries:			
• Ima Lanka Ltd	77	135	(58)
Receivables from associated companies:			
• B.C. S.r.l.	–	4	(4)
Receivables from parent companies:			
• FINVACCHI S.p.A.	3	3	–
Total	80	142	(62)

The amounts due by IMA Lanka are related to financial receivables.

Credit and debit relations incurred during the year with the parent company substantially concern the charging of service costs.

Trade receivables due after 5 years do not exist.

OTHER RECEIVABLES

This balance is represented by (in thousands of Euro):

	12.31.2003	12.31.2002	Differences
Receivables due after next accounting period:			
• Prepaid taxes	3,099	1,605	1,494
• Other	73	87	(14)
	3,172	1,692	1,480
Receivables due within next accounting period:			
• Receivables from tax authorities	4,663	4,187	476
• Deferred tax assets	3,607	3,277	330
• Advances to suppliers	545	1,313	(768)
• Advances to employee	144	100	44
• Other	1,917	1,818	99
	10,876	10,695	181
Total	14,048	12,387	1,661

As of December 31, 2003 deferred tax assets due after one year are net of deferred tax liabilities due after one year amounting to Euro 2,654 thousands (Euro 2,799 thousands as of December 31, 2002). Moreover, as of December 31, 2003 deferred tax assets due within one year are net of deferred tax liabilities due within one year amounting to Euro 225 thousands (Euro 264 thousands as of December 31, 2002). In particular, deferred tax assets mainly relate to the temporary differences existing between the carrying amount of the provisions booked in the consolidated financial statements and their tax base as well as to the tax effects connected to the elimination of unrealised profits resulting from intragroup transactions. Deferred tax liabilities mainly relate to the tax effects connected to the elimination of the accounting policies followed in the statutory financial statements of the Group companies exclusively in application of tax norms (accelerated depreciation; leasing contracts, which in the consolidated financial statements are accounted for according to the IAS document N. 17).

Receivables from tax authorities include VAT receivables, amounting to Euro 2,651 thousands.

C) FINANCIAL ASSETS NOT REPRESENTING FIXED ASSETS

OWN SHARES

As at 31 December 2003 no own shares are held by the Group companies.

If compared to December 31, 2002 the item decreases by Euro 3,260 thousands, as a consequence of:

- the purchase of 531,273 own shares, at a price of Euro 5,490 thousands, made by the parent company, IMA S.p.A., under the mandate granted to the Board of Directors at the IMA S.p.A. shareholders' meeting held on April 24, 2002 and on April 24, 2003 which allows the company to purchase own shares up to a maximum amount of 10% of capital share, respectively at a price between Euro 7 and Euro 13 and at a minimum price equal to the average of the Stock Exchange list prices in the previous 5 days, plus or minus a 10% spread;

- the sale of 857,894 own shares, amounting to Euro 8,750 thousands, made by the parent company, IMA S.p.A., under the mandate granted to the Board of Directors at the IMA S.p.A. shareholders' meeting, which allows the company for a period of 12 months to sell own shares up to a maximum amount of 3,610,000 shares, at a price which can not be lower than the average purchase price. Sales realized during the period have generated a total net gain amounting to Euro 516 thousands.

MARKETABLE SECURITIES

This balance includes the following debentures (in thousands of Euro):

	Nominal value	F/S Value	Market value
CRBO 1998/2005	13	13	13
CRBO 2000/2005	57	57	58
CRBO 2001/2004	26	26	26
P.O. 2000/2005	146	146	150
CCT 2001/2006	96	97	97
BIMER 1994/2006	1	1	1
Total	339	340	345

The decrease amounting to Euro 528 thousands, if compared to December 31, 2002, is due to the maturity as well as to the advance refunding of certain bonds.

FINANCIAL RECEIVABLES NOT REPRESENTING FIXED ASSETS

As of December 31, 2003, the item amounts to Euro 127 thousands, and corresponds to the partial disbursement, amounting to Yen 17,000,000, of a financing totally amounting to Yen 34,000,000 granted by the Parent Company to IMA Tech Ltd., a company acting as agent of the Group in Japan. The financing has to be disbursed by 8 quarterly installments within February 2005: the repayment is expected in the next two years, at market interest rates.

D) CASH AT BANK AND IN HAND

This balance is represented by (in thousands of Euro):

	12.31.2003	12.31.2002	Diff.
Bank deposits	48,837	36,026	12,811
Free deposits	5,791	6,544	(753)
Checks, cash and e valuables on hand	199	1,393	(1,194)
Total	54,827	43,963	10,864

The increase of the item is strictly related to the maturity of several currency forward sales coinciding with the year-end turnover, to the collection of the corresponding amount of the receivables sold *pro-soluto*, previously disclosed, as well as to the sale of the investment held by Luxteco International S.A. in Medinvest International S.A.

Free deposits refer to very short term investments.

PREPAID EXPENSES AND ACCRUED INCOME

As of December 31, 2003, this balance is comprised as follows (in thousands of Euro):

	12.31.2003	12.31.2002	Differences
Accrued income:			
• Interest on securities	15	26	(11)
• Contributions on interests	960	957	3
• Other	35	76	(41)
	1,010	1,059	(49)
Prepaid expenses:			
• Insurance	221	170	51
• Interest on discounted notes	435	622	(187)
• Guarantees	40	34	6
• Other	913	540	373
	1,609	1,366	243
Total accrued income and prepaid expenses	2,619	2,425	194

Other prepaid expenses mainly relate to maintenance and consultancy expenses, as well as to yearly fees paid for patents.

Accrued income amounting to Euro 410 thousands and prepaid expenses amounting to Euro 326 thousands expire over December 31, 2004.

8) COMMENTS ON MAIN LIABILITY AND STOCKHOLDERS' EQUITY ITEMS

STOCKHOLDERS' EQUITY

The movement of the various items making up stockholders' equity are set out in the section "Other information".

A) STOCK CAPITAL

Stock capital as of December 31, 2003 represents the stock capital of the Parent Company (fully subscribed and paid up) consisting of 36,100,000 ordinary shares with a nominal value of Euro 0.52 each.

B) SHARE PREMIUM RESERVE

Such reserve, amounting to Euro 16,382 thousands, derives from the issue of 6,100,000 ordinary shares, placed in 1995 exclusively to third parties. Share premium has been of Euro 2.69 for each share.

C) REVALUATION RESERVE

As of December 31, 2003, the financial statements of the consolidated companies include revaluation reserves for Euro 395 thousands 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**

Following the sale of own shares amounting to Euro 3,260 thousands, such reserve has been put to zero by reclassifying the corresponding amount in the item “Other reserves”.

**E) ACCUMULATED TRANSLATION
ADJUSTMENTSS**

The decrease of this item is mainly related to the trend of the US Dollar during the year, and to the resulting effect on the assets and liabilities denominated in such currency included in the consolidated financial statements

The net equity of the consolidated companies includes Euro 4,546 thousands of non distributable legal reserves and Euro 1,149 thousands (of which Euro 815 thousands included in the net equity of the Parent Company) 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 Euro 1,876 thousands in Chinese currency not freely convertible.

**F) RECONCILIATION BETWEEN
THE PARENT COMPANY
STATUTORY ACCOUNTS
AND THE CONSOLIDATION
ACCOUNTS**

The reconciliation between the parent company statutory accounts as of December 31, 2003 and the consolidation accounts at the same date is the following (in thousands of Euro):

	Stockholder's equity	Net income
Amounts reflected in I.M.A. statutory accounts	77,430	20,920
<i>Consolidation adjustments:</i>		
a) Difference between book value of investments and Shareholders' equity of group companies	17,478	3,985
b) Elimination of fiscal adjustments related to:		
• Accelerated depreciation	6,252	564
• Leasing operations	285	285
• Translation of balances in foreign currencies	539	(238)
c) Elimination of infra-group dividends	–	(6,724)
d) Elimination of unrealized infra-group earnings related to:		
• Intangible assets	(464)	177
• Tangible assets	(39)	38
• Inventoris	(5,090)	(216)
e) Deferred taxation related to consolidation adjustments	(532)	172
Net effect of consolidation adjustment	18,429	(1,957)
Amount reflected in the consolidation accounts	95,859	18,963

As far as the reserves of the consolidated subsidiaries are concerned, no deferred taxes have been accrued in the consolidated financial statements as they are not expected to be distributed.

RESERVE FOR RISKS AND CHARGES

The composition of, and movement on these reserve are as follows (in thousands of Euro):

	12.31.2003	12.31.2002	Differences
Taxation reserve	–	60	(60)
Other reserves:			
• Product guarantees	4,269	3,612	657
• Other reserves	1,836	2,206	(370)
	6,105	5,818	287
Total other reserves	6,105	5,878	227

The taxation reserve outstanding as of December 31, 2002, which was set up by the Parent Company to cover the estimated charge likely to derive from tax assessment made in the year 2000, has been completely re-absorbed following settlement of the matters raised in the tax audit, thanks to the amnesty introduced by the 2003 Finance Law and subsequent amendments, as explained in further detail below.

Products guarantees reserve relates to the provision for technical assistance to be carried out after year-end for finished goods sold before.

The “other reserves” include the agent’s indemnity reserve for Euro 690 thousands, the reserve accrued by Kilian GmbH & Co. KG to cover the future employee costs according to the German labour law, amounting to Euro 502 thousands, and other reserves accounted for in the IMA S.p.A. as well as in other Group companies’ financial statements in order to cover the liabilities which could arise from the typical business activity performed by the Group companies. During the year liabilities which have been provided in the previous consolidated financial statements have occurred: consequently, the “Other reserves for risks and charges” have been reduced.

In addition, one subsidiary met during the year significant losses: the Group has already taken all the necessary measures to allow the company to operate as going concern.

TRANSACTIONS IN FINANCIAL DERIVATIVES

Transactions in financial derivatives still outstanding as of December 31, 2003 relate to forward sales of foreign currencies as well as to currency options for a total amount of USD 16.5 million and YEN 122.3 million, corresponding to a total equivalent of Euro 22,472 thousands. There are no losses not accrued in the consolidated financial statements related to the above transactions in financial derivatives. Moreover, during the year have been carried out forward sales of foreign currencies and currency options for a total amount of USD 42.4 million and YEN 258.5 million. With reference to the forward sales of foreign currencies, premiums amounting to Euro 221 thousands have been collected and discounts amounting to Euro 49 thousands have been paid (respectively credited to “Miscellaneous financial income” and to “Interest and other financial charges”).

Moreover, the forward sales of foreign currencies carried out during the year gave rise to gains amounting to Euro 3,518 thousands and to losses amounting to Euro 13 thousands, recorded as adjustments of sales revenues. The overall income charged to the statement of income thus amounted to Euro 3,677 thousands.

Furthermore, during the year have been carried out currency options for which premiums have been collected for a total amount of Euro 265 thousands and discounts paid for a total amount of Euro 537 thousands (respectively credited to “Miscellaneous financial income” and to “Interest and other financial charges”). Such operations, carried out during the accounting period, have generated profits amounting to Euro 474 thousands and losses amounting to Euro 37 thousands, recorded as adjustment of sales revenues. Therefore, the overall income resulting from currency options amounts to Euro 165 thousands.

In addition, at December 31, 2003 contracts related to forward sales of foreign currencies, signed by Kilian GmbH & Co. KG for a total amount of USD 1.81 million, corresponding to an equivalent of Euro 1,618 thousands, are still in place. There are no losses not accrued in the consolidated financial statements related to these contracts. Moreover, during the year have been carried out forward sales of foreign currencies and currency options, for a total amount of USD 4.49 million, which have generated profits amounting to Euro 242 thousands (credited to “Miscellaneous financial income”). The evaluation of the forward sales of foreign currencies still in place at December 31, 2003 at their fair value would have not resulted in any significant effect.

At December 31, 2003 two Interest Rate Swap contracts, stipulated in the previous years by the Parent Company with primary banks, are in place: these IRS are connected to the interests which will be paid on the actual indebtedness and the indebtedness forecasted for the following years. In order to better align the carrying value of the IRS contracts to their fair value as of December 31, 2003, an amount corresponding to Euro 300 thousands has been accrued by the Parent Company to the other reserves for risks and charges in the years 2001 and 2002.

In addition, on November 2003 Kilian GmbH & Co. KG has stipulated an Interest Rate Swap contract having maturity on November 2004, connected to the interests which will be paid on a minor part of its actual indebtedness. The evaluation of such contract at its fair value at December 31, 2003 would have not resulted in any significant effect.

**RESERVE FOR EMPLOYEE
TERMINATION INDEMNITIES**

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

Balance as of Decembre 31, 2002	19,914
Accruals	4,109
Indemnities paid during the period	(2,551)
Translation differences	(19)
Balance as of December 31, 2003	21,453

DEBTS

A) BANKS

Bank liabilities are as follows (in thousands of Euro):

	Balance as of 12.31.2003 Due				12.31.2002 Balance
	Total	Within 1 year	Between 1 and 5 years	More than 5 years	
Current accounts	1,919	1,919	–	–	4,858
Advances on export operations	54,824	54,824	–	–	42,105
Applied Research Loans	21,933	3,763	12,692	5,478	18,277
Other loans	40,121	14,121	26,000	–	53,255
Total	118,797	74,627	38,692	5,478	118,495

As of December 31, 2003, banks grant credit lines to consolidated companies for Euro 180,629 thousands, of which Euro 37,148 thousands for current accounts and Euro 143,481 thousands for advances on export operations and other short term credit lines.

Loans and financings have been disbursed for an amount of Euro 62,047 thousands in Euro and for an amount of Euro 7 thousands in Indian Rupees.

Applied Research Loans and Other loans are guaranteed by the following:

- Banking guarantees for Euro 12,336 thousands;
- Guarantees issued by the Parent Company IMA S.p.A. for Euro 12,665 thousands;
- Guarantees issued by FINVACCHI S.p.A. for Euro 1,761 thousands;
- Securities held in pledge of Euro 3,626 thousands.

The detail of the items “Applied Research Loans” and “Other loans” is included in the table presented at the end of the section “Comments on main liability and stockholders’ equity items”. As disclosed in such table, some of these loans are guaranteed by the compliance with certain financial covenants on the Parent Company’s financial statements and/or on the Group consolidated financial statements.

B) OTHER FINANCERS

As of December 31, 2003, the item comprises Euro 8,272 thousands related to the financial leasing contract signed by Libra P.T. S.r.l. with reference to a land as well as to an industrial building, consigned to the company on August 2003. The long term part, amounting to Euro 7,394 thousands, includes payables due after 5 years for an amount of Euro 3,581 thousands. In addition, the item comprises the amount of Euro 360 thousands related to receivables sold to factoring companies and collected directly by the Group.

C) ADVANCES

This balance includes advances received from customers for supplies not carried out: such advances are covered by guarantees totally amounting to Euro 12,923 thousands.

D) SUPPLIERS

The decrease of payables due within the next accounting period, amounting to Euro 9,734 thousands, is due for the most part to the settlement of payables for investments performed at the end of the previous year, and, for a minor part, to the lower volume of purchases resulting from the high amount of inventories at December 31, 2002.

In addition, the item includes the amount of Euro 14,496 thousands of payables which have been sold, upon notice, by certain supplier of the Parent Company to factoring companies. A part of these payables, amounting to Euro 6,135 thousands, were due before December 31, 2003: their payment has been delayed for a short term (at December 31, 2002 the corresponding amount of these last payables was equal to Euro 2,512 thousands).

There are no payables due to suppliers after 5 years.

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

This balance is composed as follows (in thousands of Euro):

	12.31.2003	12.31.2002	Differences
Payables to associated companies:			
• B.C. S.r.l.	562	449	113
Payables to parent companies:			
• FIN-VACCHI S.p.A.	14	–	14
Total	576	449	127

The amounts due from associated companies are related to commercial payables resulting from purchases as well as from payments in advance.

There are no payables due to suppliers after 5 years.

F) TAXES

The item was made up as follows (in thousands of Euro):

	12.31.2003	12.31.2002	Differences
Tax payables due after the next accounting period:			
• Taxes due on previous years	–	131	(131)
	–	131	(131)
Tax payables due within next accounting period:			
• Income taxes	256	2,584	(2,328)
• Taxes due on previous years	415	258	157
• IRPEF (employee withholding taxes)	2,212	1,689	523
• VAT	436	324	112
• Other	1,453	1,320	133
	4,772	6,175	(1,403)
Total	4,772	6,306	(1,534)

The decrease of tax payables is due to the higher taxes paid in advance during the year.

As far as the parent Company is concerned, fiscal years up to 1998 have already been agreed for both direct and indirect taxes, thanks to the amnesty introduced by the Law 289/2002. The claim related to the direct taxes for the years 1987, 1989, 1990, 1991 and 1992, resulting from notices of assessment issued by the Tax Authorities, has been definitely settled during the year 2003, by taking advantage of the procedure introduced by the Law 289/2002 to settle the pending claims. As regarding the fiscal years which could still be assessed, it should be noted that, during the first half of 2001, the Parent Company has been subjected to a tax audit concerning direct and indirect taxes for the years 1999 and 2000, and for the previous years as far as their relevant transactions could be concerned. The matters raised in the tax audit for the fiscal year 1999 have been settled during the year 2001, having the Parent Company adhered to the related tax assessments, while those related to the fiscal year 2000 have been settled in the year 2003, thanks to the procedure introduced by the Law 289/2002, at the article 15, to settle the pending claims.

A tax audit of Libra P.T. S.r.l. was initiated by the tax authorities during the first half of 2003 in relation to fiscal years 1998, 1999 and 2000. The tax audit has been completed on September for the year 1998, while is still in progress for the years 1999 and 2000. Libra P.T. has submitted a request for the “tombstone” amnesty for VAT purposes with reference to the years from 1998 to 2002 and a supplementary return for direct taxes purposes with reference to the years from 1997 to 2002.

During the last quarter of the year 2003 the Tax Authorities have started an audit of BFB S.p.A., company absorbed by IMA S.p.A., in relation to the fiscal year 2001.

Moreover, tax audits have been started in previous years as well as in the first months of the year 2004 for certain foreign subsidiaries.

The Group's management and its tax consultants believe that no significant tax liabilities exist, not accrued in the consolidated financial statements, considering the expected results of the above tax audits as well.

The item "Tax due on previous years" relates to the payables arising from the higher taxes for the year 1999 and for the previous years, agreed by the Parent Company on July 2001 by adhering to the tax assessment. The item includes as well the payables resulting from the amnesty and the other opportunities introduced by the 2003 and 2004 Finance Law, of which the Parent Company and certain other Group companies have taken advantage.

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 item Other payables due within the next accounting period is composed as follows (in thousands of Euro):

	12.31.2003	12.31.2002	Differences
Payables to employees	10,002	10,567	(565)
Payable due for acquisitions	163	163	–
Other	958	1,568	(610)
Total	11,123	12,298	(1,175)

The “Payables due for acquisitions” arise from the acquisition of the 48% of the Comitec S.r.l. capital share, performed by the Parent Company in the year 2001. These payables have been postponed up to December 31, 2004: no financial charges are due on them.

ACCRUED EXPENSES AND DEFERRED INCOME

The balance is composed of the following (in thousands of Euro):

	12.31.2003	12.31.2002	Differences
Accrued liabilities:			
• Interest on financial debts	871	1,094	(223)
• Insurances	282	268	14
• Discounts on financial derivatives	252	104	148
• Other	372	369	3
	1,777	1,835	(58)
Deferred income:			
• Financial income	410	496	(86)
• Installation and testing costs	2,698	2,586	112
• Other	92	164	(72)
	3,200	3,246	(46)
Total accrued expenses and deferred income	4,977	5,081	(104)

Accrued liabilities amounting to Euro 27 thousands and deferred income amounting to Euro 228 thousands expire over December 31, 2004.

DETAIL OF APPLIED RESEARCH LOANS

AS OF DECEMBER, 31 2003 (IN THOUSANDS OF EURO)

Description	Original amount	12/31/02	Repayments	Disbursements	12/31/03	Short term	Medium long term
IMA S.p.A.							
SPIMI N. 57409 Lex 346/88	6.384	3.783	1.107	–	2.676	1.254	1.422
<ul style="list-style-type: none"> • <i>Duration:</i> from 11/21/1995 to 07/01/2005 • <i>Pre-redemption:</i> up to 01/01/2000 • <i>Repayment:</i> 12 half-yearly instalments • <i>Yearly interest rate:</i> 2.01% • <i>Guarantees</i> Euro 2,676 CRBO/UNICREDIT in favour of SPIMI Euro 814 Bonds in favour of CRBO/UNICREDIT (**) 							
SPIMI N. 62297 Lex 346/88	9.660	9.660	–	–	9.660	1.363	8.297
<ul style="list-style-type: none"> • <i>Duration:</i> from 12/30/1999 to 07/01/2009 • <i>Pre-redemption:</i> up to 01/01/2004 • <i>Repayment:</i> 12 half-yearly instalments • <i>Yearly interest rate:</i> 1.28% • <i>Guarantees</i> Euro 9,660 INTESA/UNICREDIT in favour of SPIMI Euro 2,812 Bonds in favour of INTESA/UNICREDIT (**) 							
SPIMI N. 64216 Lex 46/82	1.397	1.152	168	–	984	171	813
<ul style="list-style-type: none"> • <i>Duration:</i> from 06/08/2001 to 01/01/2009 • <i>Pre-redemption:</i> not applicable • <i>Repayment:</i> 16 half-yearly instalments • <i>Annual interest rate:</i> 2% • <i>Guarantees:</i> Euro 1,044 FIN-VACCHI S.p.A. 							
SPIMI N. 57298 Lex 46/82	566	177	69	–	108	71	37
<ul style="list-style-type: none"> • <i>Duration:</i> from 11/18/1996 to 07/01/2005 • <i>Pre-redemption:</i> not applicable • <i>Repayment:</i> 18 half-yearly instalments • <i>Annual interest rate:</i> 1.85 % • <i>Guarantees:</i> Euro 108 FIN-VACCHI S.p.A. 							
Min. Att. Prod. N. 2545 Lex 46/82 (*)	3.003	–	–	–	3.003	259	2.744
<ul style="list-style-type: none"> • <i>Duration:</i> from 04/06/2001 to 12/21/2013 • <i>Pre-redemption:</i> up to 12/21/2004 • <i>Repayment:</i> 10 yearly instalments • <i>Annual interest rate:</i> 0.825% (pre-redemption) / 3.3% (redemption) 							
SPIMI N. 64295 Lex 46/82	690	512	90	147	569	83	486
<ul style="list-style-type: none"> • <i>Duration:</i> from 07/31/2001 to 01/01/2010 • <i>Pre-redemption:</i> up to 07/01/2004 • <i>Repayment:</i> 16 half-yearly instalments • <i>Annual interest rate:</i> 2% • <i>Guarantees:</i> Euro 609 FIN-VACCHI S.p.A. 							
SPIMI N. 65159 Lex 46/82	3.406	2.866	551	–	2.315	562	1.753
<ul style="list-style-type: none"> • <i>Duration:</i> from 07/25/2000 al 07/01/2007 • <i>Pre-redemption:</i> up to 01/01/2002 • <i>Repayment:</i> 12 half-yearly instalments • <i>Annual interest rate:</i> 2% • <i>Guarantees:</i> Covenants 							
Interbanca N. 45356 Lex 346/88	7.318	–	–	2.618	2.618	–	2.618
<ul style="list-style-type: none"> • <i>Duration:</i> from 02/27/2003 to 07/01/2012 • <i>Pre-redemption:</i> up to 07/01/2006 • <i>Repayment:</i> 12 half-yearly instalments • <i>Annual interest rate:</i> Half-yearly Euribor + spread - contribution • <i>Guarantees:</i> Covenants 							
LIBRA S.r.l.							
SPIMI N. 55420 Lex 46/82	848	127	127	–	–	–	–
<ul style="list-style-type: none"> • <i>Duration:</i> from 08/12/1996 to 12/31/2003 • <i>Repayment:</i> 15 half-yearly instalments • <i>Annual interest rate:</i> 3.7% 							
TOTAL	33.272	18.277	2.112	2.765	21.933	3.763	18.170

(*) Classified, in the previous years – in the item “Other loans”

(**) Guarantees given by IMA S.p.A. in favour of other guarantor Banks

DETAIL OF OTHER LOANS – IMA S.P.A.

AS OF DECEMBER, 31 2003 (IN THOUSANDS OF EURO)

Description	Original amount	12/31/02	Repayments	Disbursements	12/31/03	Short term	Medium long term
Interbanca N. 35468/301 <ul style="list-style-type: none"> • Duration: from 05/29/1998 to 04/30/2003 • Pre-redemption: up to 10/31/1999 • Repayment: 8 half-yearly instalments • Annual interest rate: half-yearly Euribor + spread • Guarantees: covenants 	5.165	646	646	–	–	–	–
Interbanca N. 38844/302 <ul style="list-style-type: none"> • Duration: from 05/29/2000 up to 05/29/2007 • Repayment: 14 half-yearly instalments • Annual interest rate: half-yearly Euribor + spread • Guarantees: covenants 	5.165	3.320	738	–	2.582	738	1.844
Interbanca N. 38844/301 <ul style="list-style-type: none"> • Duration: from 05/29/2000 to 05/29/2007 • Repayment: 14 half-yearly instalments • Annual interest rate: 3.53% • Guarantees: covenants 	5.165	3.320	738	–	2.582	738	1.844
Intesa Medio Credito N. 1921089 <ul style="list-style-type: none"> • Duration: from 03/23/2001 to 03/13/2006 • Repayment: 10 half-yearly instalments • Annual interest rate: half-yearly Euribor + spread • Guarantees: covenants 	4.390	3.073	878	–	2.195	878	1.317
DeuBa Pool Intesa/Unicr/BAM <ul style="list-style-type: none"> • Duration: from 05/15/2000 to 05/15/2005 • Repayment: 10 half-yearly instalments • Annual interest rate: half-yearly Euribor + spread • Guarantees: covenants 	11.000	5.500	2.200	–	3.300	2.200	1.100
Credito Emiliano N. 6025104 <ul style="list-style-type: none"> • Duration: from 01/23/2001 to 01/22/2004 • Repayment: 3 yearly instalments • Annual interest rate: half-yearly Euribor + spread 	5.165	3.443	1.721	–	1.722	1.722	–
Min. Att. Prod. N. 2545 Lex 46/82 (*) <ul style="list-style-type: none"> • Duration: from 04/06/2001 to 12/21/2013 • Pre-redemption: up to 12/21/2004 • Repayment: 10 yearly instalments • Annual interest rate: 0.825% (pre-redemption) / 3.3% (redemption) 	3.003	3.003	–	–	–	–	–
BNL Londra <ul style="list-style-type: none"> • Duration: from 03/29/2000 to 09/29/2005 • Repayment: 1 instalment, at the end of the period • Annual interest rate: half-yearly Euribor + spread • Guarantees: covenants 	8.000	8.000	–	–	8.000	–	8.000
SPIMI N. 68737 <ul style="list-style-type: none"> • Duration: from 04/30/2001 to 04/30/2006 • Repayment: 10 half-yearly instalments • Annual interest rate: half-yearly Euribor + spread • Guarantees: covenants 	1.549	1.084	309	–	775	310	465
Efibanca N. 52456 <ul style="list-style-type: none"> • Duration: from 05/16/2002 to 11/13/2003 • Repayment: 1 instalment, at the end of the period • Annual interest rate: half-yearly Euribor + spread • Guarantees: covenants 	5.165	5.165	5.165	–	–	–	–
POPEM N. 4859558 <ul style="list-style-type: none"> • Duration: from 01/08/2001 al 01/08/2007 • Repayment: 12 half-yearly instalments • Annual interest rate: half-yearly Euribor + spread 	3.099	2.420	485	–	1.935	514	1.421
Credito Emiliano N. 6105137 <ul style="list-style-type: none"> • Duration: from 06/26/2003 to 06/26/2006 • Repayment: 3 yearly instalments • Annual interest rate: half-yearly Euribor + spread 	5.000	–	–	5.000	5.000	1.666	3.334
Carisp, Pistoia e Pesca <ul style="list-style-type: none"> • Duration: from 11/28/2003 to 05/26/2005 • Repayment: 1 instalment, at the end of the period • Annual interest rate: quarterly Euribor + spread 	3.000	–	–	3.000	3.000	–	3.000
Total IMA S.p.A.	64.866	38.974	12.880	8.000	31.091	8.766	22.325

(*) Classified in the item “Applied research loans”

DETAIL OF OTHER LOANS – SUBSIDIARIES

AS OF DECEMBER, 31 2003 (IN THOUSANDS OF EURO)

Description	Original amount	12/31/02	Repayments	Disbursements	12/31/03	Short term	Medium long term
<u>IMA VERPACKUNGS. Gmbh</u>							
DeuBa Pool Intesa/Unicr/BAM	17.000	10.625	4.250	–	6.375	4.250	2.125
• <i>Duration</i> : from 05/15/2000 to 05/15/2005							
• <i>Pre-redemption</i> : up to 11/15/2001							
• <i>Repayment</i> : 8 half-yearly instalments							
• <i>Annual interest rate</i> : half-yearly Euribor + spread							
• <i>Guarantees</i> : Euro 7,500 - IMA S.p.A.							
<u>CO.MA.DLS. S.p.A.</u>							
SPIMI N. 68831	5.165	3.615	1.033	–	2.582	1.032	1.550
• <i>Duration</i> : from 04/30/2001 to 04/30/2006							
• <i>Repayment</i> : 10 half-yearly instalments							
• <i>Annual interest rate</i> : half-yearly Euribor + spread							
• <i>Guarantees</i> : Euro 5,165 - IMA S.p.A.							
<u>OTHER GROUP COMPANIES</u>							
Other loans	162	41	96	128	73	73	–
Total subsidiaries	22.327	14.281	5.379	128	9.030	5.355	3.675
TOTAL OTHER LOANS	87.193	53.255	18.259	8.128	40.121	14.121	26.000

9) MEMORANDUM ACCOUNTS

PERSONAL GUARANTEES GRANTED

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

A) GUARANTEES

As of December 31, 2003, this balance includes for Euro 605 thousands insurance policies for VAT receivables, for Euro 6,644 thousands guarantees related to advances still to be collected and to the performances of machinery sold and for Euro 1,147 thousands guarantees in favour of others.

RISK ACCOUNTS

A) NOTES DISCOUNTED

At December 31, 2003, such notes amount to Euro 3,367 thousands.

B) RECEIVABLES SOLD TO FACTORING COMPANIES

As of December 31, 2003, the item amounts to Euro 11,631 thousands and relates for Euro 9,159 thousands to trade receivables sold pro-soluto to factoring companies, still outstanding at December 31, 2003, included in this item for the sake of prudence, and for Euro 2,472 thousands to receivables sold pro-solvendo, still outstanding as of December 31, 2003.

COMMITMENTS

As of December 31, 2003 commitments amount to Euro 47,679 thousands, of which Euro 24,090 thousands concern forward sales of foreign currencies and currency options related to commercial activities that will take place in the next years. The significant increase of the item, if compared with the previous year, is mainly due to a different policy followed by the Group to face the exchange rate risk, as a consequence of the different trend shown by the foreign currencies at the end of the year 2003. Such different policy has affected both, the amount of foreign currency for which the exchange rate risk has been faced and the type of financial derivatives used to face that risk. At the end of the year 2003 such financial derivatives consist in fact in forward sales of foreign currencies as well as in currency options, both CALL and PUT.

Moreover, the item includes Euro 19,590 thousands corresponding to the future installments which will be paid by Kilian GmbH & Co. KG, according to the contract signed by the company for a 15 year financial leasing related to a new building still under construction (the leasing will probably start during the year 2005). Other commitments amounting to Euro 3,999 thousands, mainly related to financial leasing, are included in the item as well.

10) COMMENTS ON THE PRINCIPAL INCOME STATEMENT BALANCES

VALUE OF PRODUCTION

A) REVENUES

The IMA Group's revenues are broken down below by geographical area and by activity (in thousands of Euro):

REVENUES BY GEOGRAPHICAL AREA

	2003	2002	Differences
Italy	29,119	30,038	(919)
EU countries	141,709	137,242	4,467
Other European countries	36,669	30,003	6,666
North America	71,856	77,544	(5,688)
Asia	37,355	46,658	(9,303)
Other countries	28,925	29,995	(1,070)
Total	345,633	351,480	(5,847)

REVENUES BY ACTIVITY

	2003	2002	Differences
Machines	267,036	278,850	(11,814)
Spare parts	45,648	42,797	2,851
After sale services	18,872	17,483	1,389
Other services	14,077	12,350	1,727
Total	345,633	351,480	(5,847)

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

B) OTHER INCOME

CONTRIBUTIONS TOWARDS OPERATING COSTS

The item includes Euro 494 thousands related to contributions received by the Parent Company, corresponding to the 10% of the costs incurred during the year to develop the research activity according to the Law 346/88. The contributions has been decreed by the Ministry of Public Instruction, University and Research (MIUR) on October 16, 2002 in connection with a financing amounting to Euro 7,318 thousands, and include interest grants as well.

REVENUES AND OTHER INCOME

The item includes Euro 701 thousands connected with a claim raised by the Parent Company against a serbian customer, in connection with the damages resulting from the breach of a contract signed in the year 1998 for the delivery of certain machines. Under this contract, the customer has made in previous years payments in advance for a total amount of Euro 889 thousands, which have been offset in the year 2003 partially with the receivables due from the customer for the part of the above machines which have been already delivered by the Parent Company, and – for the remaining part – with the above claim. The Parent Company believes the risk that the customer will contest the request for damages as well their quantification to be very remote, based on the opinion of its lawyers, and considering as well that no reply to the claim has been given by the customer, and that he has never request the refund of the payments made in advance.

Moreover, the item includes other income amounting to Euro 757 thousands as well as gains amounting to Euro 313 thousands, realized on the disposal of machines internally produced and capitalized in previous years as used in the production process for technical tests. Considering its nature, in the reclassified Statement of income this amount has been included in the item "Net revenues".

INTEREST AND FINANCIAL EXPENSES

A) INCOME FROM INVESTMENTS

DIVIDENDS AND OTHER INCOME FROM OTHER

The item, amounting to Euro 8 thousands, relates to the gain realized by Luxteco International S.A. on the disposal of the investment in Medinvest International S.C.A., above disclosed.

For comparison purposes, it should be noted that, in the previous year, the item - amounting to Euro 957 thousands - related to the dividends paid during the year 2002 by Medinvest International S.C.A.

B) OTHER FINANCIAL INCOME

INCOME FROM SECURITIES CLASSIFIED UNDER FIXED ASSETS

The item refers to the interests on securities classified under fixed assets as held mainly to guarantee third parties, and is composed by Euro 42 thousands related to interests from bonds, and Euro 232 thousands related to interests from investment funds.

INCOME FROM SECURITIES CLASSIFIED UNDER CURRENT ASSETS

The item relates to interests and gains resulting from short term investments, amounting to Euro 15 thousands, as well as to the gain on disposal of own shares, amounting to Euro 756 thousands.

OTHER INCOME

The item is composed of the following (in thousands of Euro):

	2003	2002	Differences
Interest income from banks	213	424	(211)
Interest income from customers	276	335	(59)
Interest income on V.A.T.	-	9	(9)
Contributions to interest expenses			
on discounted notes (lex 346/88)	925	945	(20)
Premiums on forward sales of foreign currencies	486	559	(73)
Other	106	230	(124)
	2,006	2,502	(496)
Exchange differences	6,040	6,403	(363)
Total	8,046	8,905	(859)

**C) INTEREST AND OTHER
FINANCIAL CHARGES**

The balance is composed of the following (in thousands of Euro):

	2003	2002	Differences
Other financial charges:			
• Interest to bank	4,371	5,336	(965)
• Interest on discounted notes	571	641	(70)
• Discounts on financial derivatives	586	430	156
• Other	1,390	585	805
	6,918	6,992	(74)
Exchange differences	6,176	6,530	(354)
Other financial charges from parent companies	14	13	1
Total	13,108	13,535	(427)

The item “Other” includes Euro 248 thousands related to the losses resulting from the liquidation of IMA Japan Co. Ltd. as well as Euro 240 thousands related to the loss on disposal of own shares.

**ADJUSTMENTS TO THE
VALUE OF FINANCIAL
ASSETS**

The revaluation amounting to Euro 77 thousands is related to the investment in B.C. S.r.l., valued using the equity method; the write-down, totally amounting to Euro 64 thousands, is related, for Euro 52 thousands, to the investment in Solving Automation S.r.l., held at 12% by the Parent Company and sold on January 2004, realizing a gain amounting to Euro 1 thousand, and, for Euro 12 thousands, to the investment in IMA Lanka Ltd., held by Holteco B.V.

**EXTRAORDINARY
INCOME AND EXPENSES**

The balance is composed of the following:

A) INCOME

The item relates to the gain, amounting to Euro 45 thousands, realized on the disposal of fixed assets, and to the gain, amounting to Euro 1,488 thousands, on the sale of the building consequent to the disposal of the investment held by the Parent Company in Libra Immobiliare S.r.l.

B) EXPENSES

The item includes charges totaling Euro 505 thousands, being the cost of certain Group companies taking advantage of the tax amnesty introduced by the 2003 and 2004 Finance Law. In particular, these advantages relate to supplementary returns as well as to the settlement of potential and pending tax litigation, connected to direct taxes for the years from 1997 to 2002 and to VAT for the years from 1998 to 2002. In addition, the item includes losses on disposal of fixed assets amounting to Euro 97 thousands.

INCOME TAXES

Income taxes amount to Euro 16,917 thousands, net of deferred taxes amounting to Euro 1,829 thousands. Deferred taxes include Euro 357 thousands related to the tax losses carried forward by IMA Verpackungssysteme GmbH.

The increase of the tax rate, if compared with the previous year, is due to the expiry of the tax incentives for new investment, under the “Tremonti Bis” law, and to the different allocation of income between the companies included within the scope of consolidation.

As regarding the consolidated tax rate, it should be noted that, following the change of Kilian GmbH & Co. KG from a joint-stock company into a partnership, performed in the year 2000, 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 Statement of Income for the year ended December 31, 2003 includes revenues from third parties amounting to Euro 929 thousands, mainly resulting from the sales of used machines from the Parent Company to a party related as partially owned by certain Directors of the Group. The above Statement of Income includes as well costs resulting from transactions with related parties (mainly connected to certain Group Directors) amounting to Euro 2,516 thousands, for the most part related to consultancy services and leasings. Moreover, certain Group companies make use of a travel agency owned by related parties: travel expenses charged in the year by this agency to the Group companies amount to about Euro 2,942 thousands.

Moreover, the consolidated financial statements as of December 31, 2003 include assets amounting to Euro 1,001 thousands and liabilities amounting to Euro 1,733 thousands which arise from transactions with related parties. In particular, assets result mainly from transactions put in place with companies connected to certain group Directors, while liabilities are mainly due to the transactions with the above travel agency.

PERSONNEL

During 2003 IMA Group employed on average n. 2,400 people made up as follows:

	12.31.2003	12.31.2002	Differences
Managers	111	113	(2)
Clerks	1,537	1,490	47
Workers	752	741	11
Total	2,400	2,344	56

For a better understanding of the above table, it should be noted that the item “Managers” includes 52 foreign companies’ employees to be considered as “Clerks” following the Italian law.

**BOARD OF DIRECTORS AND
STATUTORY AUDITOR' FEES****REWARDS FROM OTHER
CONSOLIDATED PARENT
COMPANIES**

Parent Company's Managers and statutory auditors took the following reward (in thousands of Euro):

	2003	2002	2003	2002
Parent Company's managers	950	658	71	76
Parent Company's statutory auditors	67	46	43	49

11) OTHER COMPLEMENTARY NOTES

STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002 (IN THOUSANDS OF EURO) - (TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

Description	Capital stock	Share prem. Reserv.	Reval. Reserv.	Legal Reserv.	Res. for Treas. Stock	Other	Accumul. Transl. Adj	Retain. Earnin.	Group Net Income	Group Stockhol Equity
Balance										
as of 12.31.2001	18.772	16.382	395	4.559	4.324	18.607	1.617	11.871	20.446	96.973
Allocation of 2001 result:										
- dividends	-	-	-	-	-	-	-	-	(12.919)	(12.919)
- reserve	-	-	-	116	-	4.657	-	2.754	(7.527)	-
Purchase of own shares	-	-	-	-	1.903	(1.903)	-	-	-	-
Sale of own shares	-	-	-	-	(2.967)	2.967	-	-	-	-
Translation adjustment	-	-	-	-	-	-	(1.628)	-	-	(1.628)
Group net income	-	-	-	-	-	-	-	-	24.431	24.431
Balance										
as of 12.31.2002	18.772	16.382	395	4.675	3.260	24.328	(11)	14.625	24.431	106.857
Effects resulting from the merging of BFB S.p.A. in IMA S.p.A.										
	-	-	-	(278)	-	267	-	11	-	-
Allocation of 2002 result:										
- dividends	-	-	-	-	-	-	-	-	(14.119)	(14.119)
- reserve	-	-	-	-	-	4.386	-	5.926	(10.312)	-
Distribution of reserves according to the Shareholders' meeting of 12.05.03										
	-	-	-	-	-	(14.440)	-	-	-	(14.440)
Purchase of own shares	-	-	-	-	5.490	(5.490)	-	-	-	-
Sale of own shares	-	-	-	-	(8.750)	8.750	-	-	-	-
Translation adjustment	-	-	-	-	-	-	(1.402)	-	-	(1.402)
Group net income	-	-	-	-	-	-	-	-	18.963	18.963
Balance										
as of 12.31.2003	18.772	16.382	395	4.397	-	17.801	(1.413)	20.562	18.963	95.859

STATEMENT OF CONSOLIDATED CASH FLOW

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002 (IN THOUSANDS OF EURO) - (TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

	2003	2002
A. Opening net short term financial indebtedness	(19.622)	(13.220)
B. Cash flow generated by (used in) operations		
- Group net income	18.963	24.431
- Depreciation and amortization	15.651	15.043
- (Gain) or loss on disposal of fixed assets	(1.797)	(150)
- (Revaluation) or write-down of fixed assets	(13)	(93)
- Net change in reserve for employee termination indemnities	1.539	1.943
Cash flow from operation before changes in working capital	34.343	41.174
- (Increase) decrease in current receivables	17.644	11.620
- (Increase) decrease in inventories	(2.270)	(26.129)
- Increase (decrease) in amounts due to suppliers and other liabilities	(10.816)	14.222
- Increase (decrease) in reserve for risks and charges	227	(1.060)
- Other (net)	(366)	(1.359)
	38.762	38.468
C. Cash flow generated by (used in) investment activities		
Fixed asset investments:		
- intangible	(3.047)	(4.130)
- tangible	(17.780)	(13.689)
- financial	(2.013)	(141)
Selling price or value of reimbursement of fixed assets	12.027	2.060
Consolidation area variations	248	-
	(10.565)	(15.900)
D. Cash flow generated by (used in) financial activities		
- Increase in long term debts (net)	316	(14.911)
E. Charges in Shareholders' equity		
- Distribution of profits	(28.559)	(12.919)
F. Exchange difference variation	(903)	(1.140)
G. Cash flow for the year (B + C + D + E + F)	(949)	(6.402)
H. Closing net short term indebtedness (A + G)	(20.571)	(19.622)

THE CHAIRMAN OF THE BOARD OF DIRECTORS
MARCO VACCHI

SUMMARY OF THE FINANCIAL STATEMENTS
OF SUBSIDIARY COMPANIES
AS OF DECEMBER 31, 2003

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

**SUMMARY OF THE FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES
AS OF DECEMBER 31, 2003**

SUMMARY OF THE FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES

AS OF DECEMBER 31, 2003 (IN THOUSANDS OF EURO) - (TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

Pursuant to art. 2429, last paragraph, of Civil Code, the summary of the financial statements of subsidiary companies included in the Group consolidated financial statements is included below.

MANUFACTURING COMPANIES						
Statement of income (in thousands of Euro)	Libra P.T. S.r.l.	P.G.CO.MA.DI.S. BombayS.p.A.	Tianjin IMAMachinery	Zibo IMA Pharmatech	Zibo IMA	
Net revenues	21,985	8,175	5,600	490	997	2
Operating costs	(17,855)	(7,141)	(5,318)	(463)	(891)	(54)
Net operating income	4,130	1,034	282	27	106	(52)
Other income (charges)	(146)	(16)	(213)	13	(154)	-
Result before income taxes	3,984	1,018	69	40	(48)	(52)
Income taxes	(1,838)	(387)	(123)	(13)	-	-
Net income for the year	2,146	631	(54)	27	(48)	(52)

MANUFACTURING COMPANIES						
Balance sheet (in thousands of Euro)	Libra P.T. S.r.l.	P.G.CO.MA.DI.S. BombayS.p.A.	Tianjin IMAMachinery	Zibo IMA Pharmatech	Zibo IMA	
Assets:						
current	10,078	4,273	2,141	174	715	635
net inventories	3,823	2,254	2,057	40	696	470
fixed assets	1,017	1,159	4,424	15	58	305
Total	14,918	7,686	8,622	229	1,469	1,410
Liabilities:						
current	7,019	3,554	5,188	43	851	682
medium/long term	1,006	219	1,948	-	-	-
Stockholders' equity	6,893	3,913	1,486	186	618	728
Total	14,918	7,686	8,622	229	1,469	1,410

MARKETING COMPANIES								
Statement of income (in thousands of Euro)	IMA Iberica SL	IMA N.A. Inc.	IMA GmbH (Colonia-D)	IMAIMA UKFrance Ltd.EurI	I.M.A. IMAI GmbHFar (Wien-A)Co.	IMA Imauto- Ltd. Lda.		
Net revenues	1,999	59,089	4,968	4,384	8,131	5,586	507	5,266
Operating costs	(1,811)	(58,445)	(4,125)	(4,270)	(7,320)	(4,035)	(1,711)	(4,462)
Net operating income	188	644	843	114	811	1,551	(1,204)	804
Other income (charges)	(7)	(115)	(318)	194	(48)	(122)	19	(114)
Result before income taxes	181	529	525	308	763	1,429	(1,185)	690
Income taxes	-	(256)	357	(120)	(294)	(33)	-	-
Net income for the year	181	273	882	188	469	1,396	(1,185)	690

**SUMMARY OF THE FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES
AS OF DECEMBER 31, 2003**

MARKETING COMPANIES

Balance sheet (in thousands of Euro)	IMA Iberica SL	IMA N.A. Inc.	IMA GmbH (Colonia-D)	IMA UK Ltd.	IMA France (Wien-A)	L.M.A. IMA GmbH Co. Ltd.	IMA auto- Far East matiche Lda.		
Assets:									
current	1,169	21,182	8,112	2,871	5,397	4,234	914	2,962	
net inventories	7	6,124	129	62	221	–	–	–	
fixed assets	65	2,052	28,735	662	31	264	685	2	
Total	1,241	29,358	36,976	3,595	5,649	4,498	1,599	2,964	
Liabilities:									
current	779	24,142	11,993	883	3,303	2,656	2,533	1,918	
midium/long term	–	119	2,125	–	202	84	93	–	
Stockholders' equity	462	5,097	22,858	2,712	2,144	1,758	(1,027)	1,046	
Total	1,241	29,358	36,976	3,595	5,649	4,498	1,599	2,964	

OTHER MANUFACTURING AND MARKETING COMPANIES

Statement of income (in thousands of Euro)	Kilian GmbH	IMA Beijing	IMA Pacific	
Net revenues		32,986	–	–
Operating costs		(32,075)	–	(186)
Net operating income		911	–	(186)
Other income (charges)		(709)	–	–
Result before income taxes		202	–	(186)
Income taxes		(24)	–	–
Net income of the year		178	–	(186)

OTHER MANUFACTURING AND MARKETING COMPANIES

Balance sheet (in thousands of Euro)	Kilian GmbH	IMA Beijing	IMA Pacific	
Assets:				
current		12,024	673	1,970
net inventories		19,340	–	–
fixed assets		3,192	–	22
Total		34,556	673	1,992
Liabilities:				
current		29,197	–	167
midium/long term		1,511	–	–
Stockholders's equity		3,848	673	1,825
Total		34,556	673	1,992

**SUMMARY OF THE FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES
AS OF DECEMBER 31, 2003**

Statement of income (in thousands of Euro)	HOLDING COMPANIES		
	Luxteco Internat. Holteco		
	SA	BV	
Net revenues	–	–	–
Operating costs	(48)	(68)	(68)
Net operating income	(48)	(68)	(68)
Other income (charges)	(1,401)	42	42
Result before income taxes	(1,449)	(26)	(26)
Income taxes	(13)	–	–
Net income of the year	(1,462)	(26)	(26)

Balance sheet (in thousands of Euro)	HOLDING COMPANIES		
	Luxteco Internat. Holteco		
	SA	BV	
Assets:			
current	8,546	804	804
inventories, net	–	–	–
fixed assets	–	823	823
Total	8,546	1,627	1,627
Liabilities:			
current	6,021	98	98
medium/long term	1,026	–	–
Stockholders' equity	1,499	1,529	1,529
Total	8,546	1,627	1,627

Statement of income (in thousands of Euro)	OTHER COMPANIES		
	Ignition Team S.r.l.		
	InfoComitec Area S.r.l.	S.r.l.	
Net revenues	3,510	6,936	855
Operating costs	(2,942)	(5,799)	(673)
Net operating income	568	1,137	182
Other income (charges)	30	(39)	(7)
Result before income taxes	598	1,098	175
Income taxes	(219)	(473)	(91)
Net income for the year	379	625	84

**SUMMARY OF THE FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES
AS OF DECEMBER 31, 2003**

OTHER COMPANIES

Balance sheet (in thousands of Euro)	Ignition Team S.r.l.	InfoComitec Area S.r.l.	S.r.l.
Assets:			
current	3,363	6,754	507
net inventories	–	54	–
fixed assets	34	64	2
Total	3,397	6,872	509
Liabilities:			
current	673	3,401	190
midium/long term	67	303	42
Stockholders' equity	2,657	3,168	277
Total	3,397	6,872	509

REPORT OF THE INDEPENDENT AUDITORS
ON THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2003
(TRANSLATION FROM THE ORIGINAL ISSUED IN ITALY
FROM THE ITALIAN INTO ENGLISH LANGUAGE
SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

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