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**REPORT ON OPERATIONS DURING THE  
FIRST QUARTER OF 2004**

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**I . M . A .** INDUSTRIA MACCHINE AUTOMATICHE S.P.A.  
HEAD OFFICE: OZZANO DELL'EMILIA  
CAPITAL STOCK: € 18,772,000 FULLY PAID  
BOLOGNA COMPANIES REGISTER  
NO. 00307140376

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## INTRODUCTION

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This report was approved by the Board of Directors on May 14, 2004.

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

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REPORT ON OPERATIONS

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

**DIRECTORS AND OFFICERS**

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

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

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

**BOARD OF DIRECTORS**

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

**CHAIRMAN AND MANAGING DIRECTOR**

Marco Vacchi

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

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

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

**MANAGING DIRECTOR**

Alberto Vacchi

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

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

**DIRECTOR WITH POWERS**

Andrea Malagoli

*Delegated powers:*

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

**DIRECTORS**

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

**BOARD OF STATUTORY  
AUDITORS**

(in office until approval of the financial statements as of December 31, 2006)

**AUDITORS**

Giorgio Comini - Chairman - Auditor

Amedeo Cazzola - Auditor

Piero Aicardi - Auditor

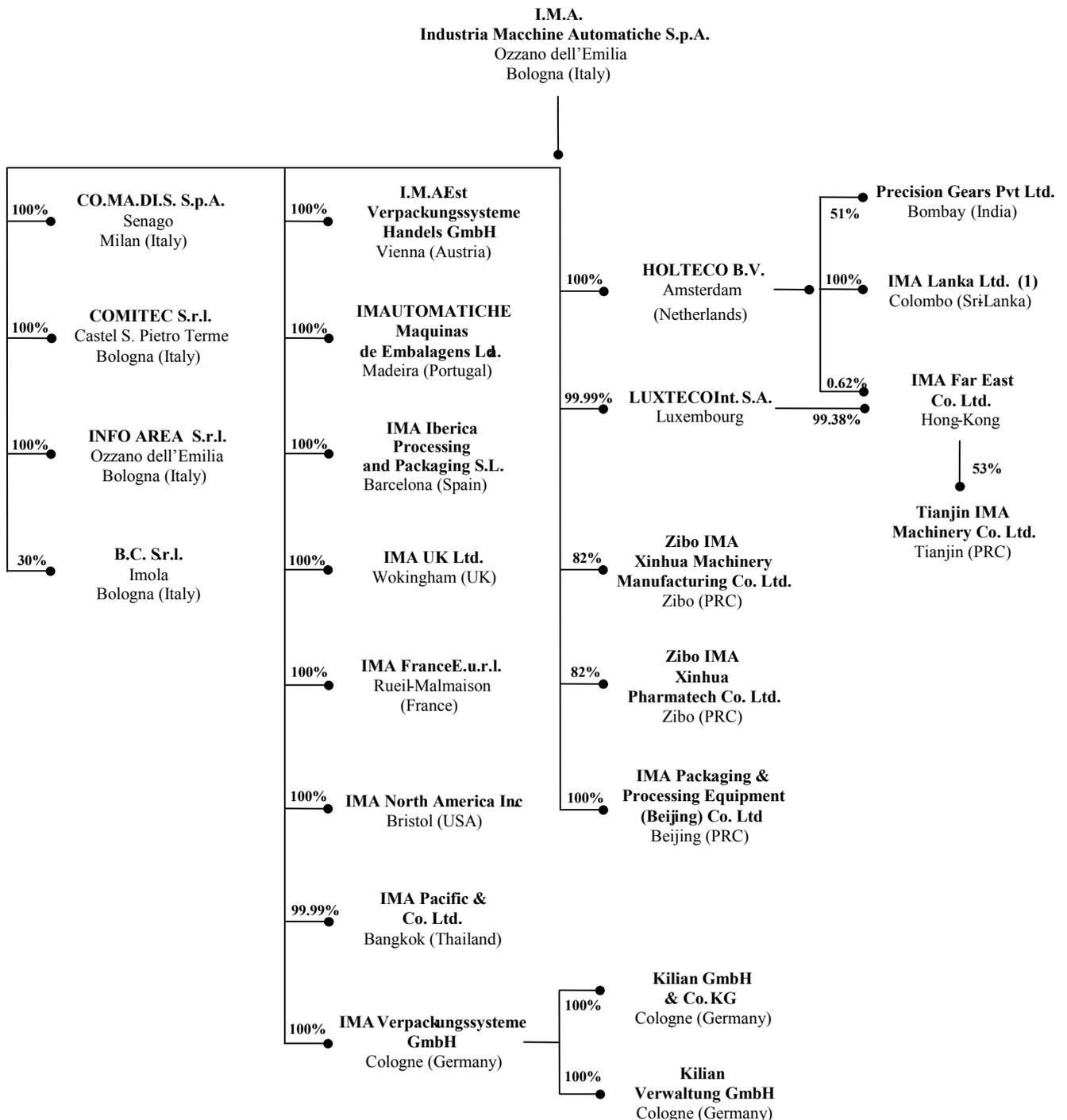
**ALTERNATE AUDITORS**

Vittorio Coraducci - Auditor

Chiara Gallina – Auditor

Antonella Grassigli - Auditor

GROUP STRUCTURE



(1) Company in liquidation

GROUP COMPANIES BY BUSINESS ACTIVITY

**MANUFACTURING  
ACTIVITIES**

**I.M.A.  
Industria Macchine  
Automatiche S.p.A.**  
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 S.L.**  
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 (1)**  
Colombo (Sri Lanka)

**OTHER ACTIVITIES**

**INFO AREA S.r.l.**  
Ozzano dell'Emilia  
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 in liquidation

## RESULTS OF OPERATIONS

### GENERAL PERFORMANCE

The sale of the pharmaceuticals industry rose 8% during the first quarter of 2004, compared with 7% in the first quarter of 2003. This is an important confirmation of the signs of recovery first noted during the second half of 2003, which now appear to be strengthening. There has also been a corresponding increase in demand for plant and machinery from that industry, although remaining below the levels reported for 2002. This upturn in demand was not limited to the OECD nations, which in any case had suffered less from the adverse international economic situation, but also included the Latin-American countries, especially Brazil, as well as the Middle East and China, where demand had initially been impeded by the SARS epidemic and then by a sharp rise in prices, in local currency, following the rapid depreciation of the US dollar. The fact that this recovery in orders for machines from the pharmaceuticals industry has continued for three consecutive quarters strongly suggests an ongoing trend, rather than isolated episodes.

The tea industry has also continued the investment policies adopted in 2003, both in Eastern and Western Europe, while demand from Asia and North America has remained weak. Lastly, the coffee industry is showing heightened interest in plant for the production of pods. The Group has only recently entered this area, which offers considerable scope for expansion.

### KEY FIGURES

As often stated in the past, deliveries and therefore sales are highly seasonal throughout the year, with modest levels during the early months and a strong concentration in the last part of the year. Furthermore, given the high unit value of individual orders (typical for the sector), it is not meaningful to measure the volume of deliveries over short periods of time, since the deferral of just a few orders can make a substantial difference in percentage terms. For this reason, neither the absolute values nor the results reported in the statement of income for a period as short as a quarter can be considered, in any way, to be realistically representative of the likely results for the full year. In addition, due to the lengthy production cycle in this sector (6-9 months), the slowdown in orders experienced during the last quarter of 2002 and the first half of 2003 resulted, as already mentioned, in fewer deliveries during the second semester of last year. This phenomena has continued during the first quarter of the current year. As a result, revenues from sales, including changes in contract work-in-progress, totaled 50.7 million euro in the three months from January to March 2004, down 6.0% with respect to the same period of last year (56.7 million euro).

#### Revenues by line of business

Tea, coffee and herbal tea packaging	12.8
Pharmaceuticals packaging	-25.5
Pharmaceuticals processing	-12.4
<b>Total</b>	<b>50.7</b>

The sales of the Tea & Coffee sector represented about 25% of the revenues for the period. This sharp increase with respect to the prior year (+40%) is a direct reflection of the strong demand experienced during the first half of 2003. The process sector has advanced by about 6%, while the contraction in the packaging

sector during the first part of the year was due to the reduction in outstanding orders as of December 31, 2003 with respect to the previous year.

The order book amounted to 190.0 million euro at the end of March, up 5.8% since March 31, 2003 (179.6 million euro) despite the significantly worse exchange rate between the US Dollar and the Euro. In particular, the order backlog for the tea-bagging machines amounts to 46.4 million euro compared with 42.7 million euro in March 2003, while the backlog for pharmaceuticals / cosmetic industry is 143.6 million euro, as against 136.9 million euro in 2003. The value of orders for plant and machinery received from the pharmaceuticals/cosmetics industry amounted to 77 million euro during the period, compared with 64.8 million euro during the first quarter of 2003 (+18.8%). This has fully compensated for the lag in orders from the pharmaceuticals sector at the start of the year, while the numerous negotiations currently being finalised justify forecasts for an increase in revenues over the full year. The reduction in orders for tea-bagging machines with respect to the first quarter of 2003 seems to be a natural fluctuation, given that a major order obtained during the first quarter of last year involves making deliveries that extend beyond the current year.

As a result of the low sales volume, the *operating loss* for the period was 7.4 million euro, compared with a loss of 4.0 million euro in the first quarter of 2003. The growth in R&D, marketing and general expenses has been contained and their incidence with respect to total revenues has declined considerably.

Net financial expenses amounted to 0.87 million euro compared with 1.39 million euro in the comparative period of 2003. This change reflects the different sign of net exchange differences, as well as the effect of lower interest rates from the second half of 2003.

*Results before taxes* reflect a loss of 8.3 million euro, compared with a loss of 5.8 million euro at the end of March 2003.

*Net borrowing* was 84.8 million euro at the end of March, up by 16.3 million euro since December 31, 2003. A similar change was reported in the comparative period of last year. In addition to the loss for the period, this increase largely reflects the change in operating capital which, despite a major decrease in trade receivables, has been affected by higher inventories that were not offset by a rise in trade payables. This situation is normal in the early part of the year, when work is performed for deliveries scheduled to be made during the second half of the year.

#### SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FIRST QUARTER

The Stockholders' Meeting held on April 26, 2004, appointed PricewaterhouseCoopers S.p.A. to audit the statutory and consolidated financial statements for the three-year period 2004 - 2006, to carry out limited examinations of the half-yearly financial statements and to perform the checks required by art. 155 of Law no. 58/1998.

This meeting also:

- authorized the Board of Directors for a period of 12 months to purchase and subsequently utilize up to 2,500,000 ordinary own shares at a purchase price equal to their average stockmarket price over the 5 days preceding the transaction, plus or minus 10%;

- increased the number of members of the Board of Directors from 10 to 11, and consequently appointed Gino Benedetti as a new independent director;
- confirmed the outgoing members of the Board of Statutory Auditors for a further three years, following the expiry of their previous mandate.

## **OUTLOOK FOR THE REST OF THE YEAR**

As mentioned above, commencing from the second half of 2003, demand for plant and machinery from the pharmaceuticals industry has gathered pace with respect to the same period in the prior year, although the absolute level is still low. This trend has been confirmed and strengthened during the first quarter, especially when considering the sum of new orders plus the growth in negotiations in progress. Favorable progress also continued throughout April and during the first two weeks of May. This is a generalized recovery involving not only the OECD nations but also the developing nations. The tea sector also benefited from good demand, although up to now the level of orders has been significantly lower than in the comparative period of 2003, which was however entirely exceptional. In the meantime, the exchange rate between the US Dollar and the Euro has stabilized at about 1.2 US Dollars for 1 Euro, following a sharp drop towards the end of 2003, with a reduced level of fluctuations compared with the past. The current price lists in US Dollars actually reflect this exchange rate, although the benefit from the realignment of these price lists will only take full effect from the second half of the year, when the orders originating from offers made prior to the price adjustments have all been fulfilled. The above assessment of demand from the pharmaceuticals sector and the tea sector confirms the expectations for a rise in consolidated revenues described in the 2003 annual report. Furthermore, the calming of the adverse effects caused by exchange rate instability, given the increases made to the dollar price lists and the policy of hedging future revenues denominated in foreign currencies, will result in improved gross margins and operating income at Group level.

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CONSOLIDATED BALANCE SHEET AND STATEMENT OF INCOME

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

**CONSOLIDATED BALANCE SHEET**

AT MARCH 31, 2004, AT DECEMBER 31, 2003 AND AT MARCH 31, 2003 (THOUSAND EURO)

	03.31.2004	12.31.2003	03.31.2003
Trade receivables	57,767	76,670	72,635
Inventories	141,406	117,416	135,445
Trade payables	(92,669)	(94,505)	(90,451)
Other payables, net	(18,247)	(21,379)	(22,672)
<b>Operating capital</b>	<b>88,257</b>	<b>78,202</b>	<b>94,957</b>
Intangible fixed assets	41,653	42,989	47,127
Tangible fixed assets	58,839	58,663	50,103
Equity investments	484	484	6,967
<b>Fixed assets, net</b>	<b>100,976</b>	<b>102,136</b>	<b>104,197</b>
Employee termination indemnities and other	(14,091)	(13,739)	(14,642)
<b>Net capital invested</b>	<b>175,142</b>	<b>166,599</b>	<b>184,512</b>
<b>FINANCED BY:</b>			
<b>Net financial position</b>	<b>84,767</b>	<b>68,494</b>	<b>81,625</b>
Minority interests	2,282	2,246	2,242
<b>Stockholders' equity pertaining to the Group</b>	<b>88,093</b>	<b>95,859</b>	<b>100,645</b>
<b>Total sources of finance</b>	<b>175,142</b>	<b>166,599</b>	<b>184,512</b>

**CONSOLIDATED STATEMENT OF INCOME**

FOR THE FIRST QUARTER OF 2004 AND COMPARISON WITH THE FIRST QUARTER OF 2003 (THOUSANDS OF EURO)

	1st quarter 2004	1st quarter 2003
<b>A. VALUE OF PRODUCTION</b>		
<i>Revenues from the sale of goods and services</i>	49.218	56.070
<i>Change in work in progress, unfinished goods</i>	23.103	20.255
<i>Change in contract work-in-progress</i>	1.416	614
<i>Increase in fixed assets for internal work</i>	320	81
<i>Other revenues and income</i>	519	602
<b>TOTAL VALUE OF PRODUCTION (A)</b>	<b>74.576</b>	<b>77.622</b>
<b>B. PRODUCTION COSTS</b>		
<i>Raw materials, ancillary materials and consumables</i>	30.989	32.947
<i>Services costs</i>	15.971	15.814
<i>Expenses relating to the use of third party assets</i>	1.316	1.271
<i>Personnel</i>	27.900	26.881
<i>Depreciations and write-downs</i>		
- amortization of intangible fixed assets	2.009	2.122
- depreciation of tangible fixed assets	1.712	1.620
- write-down of receivables	47	194
<i>Total depreciations and write-downs</i>	3.768	3.936
<i>Change in raw materials, ancillary materials, consumables and goods for resale</i>	986	(207)
<i>Provision for risks and other</i>	148	217
<i>Other operating expenses</i>	891	776
<b>TOTAL PRODUCTION COSTS (B)</b>	<b>81.969</b>	<b>81.635</b>
<b>DIFFERENCE BETWEEN THE VALUE OF PRODUCTION AND PRODUCTION COSTS (A-B)</b>	<b>(7.393)</b>	<b>(4.013)</b>
<b>C. FINANCIAL INCOME AND EXPENSES</b>		
<i>Financial income</i>	561	440
<i>Expenses</i>	1.447	1.492
<i>Exchange gains (losses)</i>	21	(333)
<b>TOTAL FINANCIAL INCOME AND EXPENSES (C)</b>	<b>(865)</b>	<b>(1.385)</b>
<b>D. ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS</b>	<b>-</b>	<b>(107)</b>
<b>E. EXTRAORDINARY INCOME AND EXPENSES</b>		
<i>Expenses</i>	-	270
<b>TOTAL EXTRAORDINARY ITEMS (E)</b>	<b>-</b>	<b>(270)</b>
<b>THIRD PARTY, RESULT</b>	<b>32</b>	<b>44</b>
<b>RESULT BEFORE TAXES</b>	<b>(8.290)</b>	<b>(5.819)</b>

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EXPLANATORY NOTES

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## A) ACCOUNTING POLICIES

This quarterly report on operations has been prepared in accordance with the criteria laid down in current legislation, as interpreted and supplemented by the standards established by the Italian Accounting Profession and, as necessary, by the I.A.S.B. - International Accounting Standards Board.

The most significant accounting policies applied are as follows:

### INTANGIBLE FIXED ASSETS

Intangible fixed assets are recorded at purchase or production cost, including related charges and a reasonable allocation of direct and indirect expenses, and are systematically amortized over their estimated useful lives

The amortization periods for intangible fixed assets are described below:

- Incorporation and expansion costs 5 years
- R&D costs 5 years
- Industrial patents and intellectual property rights 3/5 years
- Concessions, licenses and similar rights 5 years
- Trademarks 10 years
- Goodwill 10 years
- Consolidation differences 4/10/15 years
- Other 5-10 years/duration of the contract

Advertising, research and development costs are usually charged to operations in the period they are sustained except, commencing from last year, for the development costs incurred on projects related to totally new products that meet the requirements established by the applicable accounting standards for capitalization as intangible assets. These costs will be amortized over their expected useful lives from the time the products begin to generate the related economic benefits.

### TANGIBLE FIXED ASSETS

Tangible fixed assets are recorded at purchase or production cost, or at their appraisal value in the case of conferrals.

Certain assets have been revalued in accordance with specific laws or pursuant to mergers carried out in previous accounting periods.

Cost includes related charges and a reasonable allocation of direct and indirect expenses.

Tangible fixed assets are depreciated on a straight-line basis using the following annual rates that reflect their residual useful lives:

- Property 3%
- Plant and machinery 10% / 15.5%
- Other manufacturing and commercial equipment 25%
- Other assets:

- Electronic office machines	40%
- Office fixtures and furniture	12%
- Vehicles	20% / 25%

Depreciation is halved in the period that assets are purchased.

In the event of a permanent impairment of value, the asset is written down accordingly, regardless of how much depreciation has already been charged.

Ordinary maintenance costs are expensed as incurred. Maintenance costs which enhance the value of assets are allocated to such assets and depreciated over their residual useful lives.

### TANGIBLE ASSETS HELD UNDER FINANCIAL LEASE

Finance leases are accounted for on the basis of document no. 17 issued by the International Accounting Standards Board (I.A.S.B.).

This provides that:

- the cost of leased assets is attributed to tangible assets and depreciated on a straight-line basis over the useful life of the assets;
- lease payments are booked in such a way as to separate the financial element from the capital component, which is considered to be a liability to the lessor.

### INVESTMENTS AND SECURITIES CLASSIFIED AS FIXED ASSETS

Investments in non-consolidated subsidiaries and associated companies are carried at equity and at cost. Equity investments in other companies are valued at purchase or subscription cost. Cost is reduced to reflect any permanent reductions in value arising from losses that are unlikely to be recovered out of profits earned in the immediate future.

Fixed-income securities included in fixed assets are booked at purchase cost, after taking account of the accrued portion of any issue premium or discount. Cost is written down in case of a permanent impairment in value.

### INVENTORIES

Inventories are stated at the lower of purchase or production cost, or their corresponding market or estimated realizable value.

Cost is calculated using the LIFO method for raw, ancillary and consumable materials, and semi-finished products, and using their actual cost for other inventory items.

Estimated realizable value is calculated taking into account any production costs still to be incurred and direct selling expenses.

Obsolete and slow-moving inventories are written down to reflect the likelihood that they will be used or sold, considering the average length of the production cycle.

Contract work-in-progress relates to medium/long-term contracts which are valued on a stage-of-completion basis, determined with reference to revenues earned with reasonable certainty. Any losses on contracts that can be estimated with reasonable accuracy are recognized in full in the period when they become known.

**SECURITIES NOT HELD AS  
FIXED ASSETS**

These are valued at the lower of cost or market, determined with reference to closing prices at the end of the period.

**RECEIVABLES**

Accounts receivable are stated at their estimated realizable value.

**ACCRUALS AND  
PREPAYMENTS**

Accruals and prepayments include the portion of revenues and expenses affecting two or more periods, in accordance with the matching principle.

**PROVISIONS FOR RISKS  
AND CHARGES**

Provisions for risks and charges are recorded to cover known or probable losses or liabilities, the timing and extent of which cannot be determined at the end of the period. Provisions reflect the best estimate of losses to be incurred based on the information available.

Risks which only might give rise to a liability are indicated in the explanatory notes but no provision is provided.

**PROVISION FOR  
EMPLOYEE TERMINATION  
INDEMNITIES**

The provision for employee termination indemnities covers the full liability to employees in accordance with current legislation, national labor contracts and in-house agreements. This liability is subject to revaluation using officially-established indices.

**PAYABLES**

Accounts payable are stated at their nominal value.

**TAXES**

The Group has taken advantage of its right as per appendix 3D, art. 82 of Consob resolution no. 11971 of May 14, 1999 and subsequent amendments, to report income for the period before tax: as a result, it has not accounted for deferred tax assets and liabilities arising from application of the accounting standard regarding the treatment of income taxes.

**CAPITAL AND  
OPERATING GRANTS**

Capital grants are recorded, when the amounts become certain, to a specific caption within accrued expenses and deferred income and credited to the statement of income over the residual useful lives of the fixed assets to which they refer.

Operating grants are booked to income when the amounts become certain.

## REVENUE RECOGNITION

Revenue relating to the sale of products is recognized at the moment title passes, which generally coincides with shipping. The only exception to this is long-term contract work in progress, as explained above.

## TRANSLATION OF FOREIGN CURRENCY BALANCES

Foreign currency assets and liabilities, excluding fixed assets, are stated using the spot exchange rates applying at the end of the period; any adjustment gains or losses are recorded in the statement of income as financial items. Fixed assets denominated in foreign currencies are recorded using the exchange rates in effect at the time of purchase, or using the lower period-end rates if the reduction is deemed to be permanent.

Exchange differences realized upon the collection of receivables or the settlement of payables denominated in foreign currencies are reflected in the statement of income.

## B) CONSOLIDATION PRINCIPLES

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

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

The financial statements of foreign consolidated companies not denominated in Euro are translated to the functional currency using the spot rates at period end for balance sheet items and the average rates for the period for statement of income items.

The exchange differences arising from the translation of opening stockholders' equity using the spot rates at period end, and from the translation of the statement of income using the average rates for the period, are classified as part of stockholders' equity.

## C) SCOPE OF CONSOLIDATION

The quarterly report as of March 31, 2004 includes the financial and operating information of I.M.A. - Industria Macchine Automatiche S.p.A. (the Parent Company) and all the companies in which it directly or indirectly holds a controlling interest, as per art. 2359 of the Italian Civil Code, except for IMA Lanka Ltd and Kilian Verwaltung GmbH.

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

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

Registered offices		Capital stock	Direct investments	Indirect investments
<b>Italian companies:</b>				
• I.M.A. Industria Macchine Automatiche S.p.A.	Ozzano E. (BO)	EUR 18,772,000	Parent Company	
• CO.MA.DI.S. S.p.A.	Senago (MI)	EUR 1,540,000	100%	–
• Info Area S.r.l.	Ozzano E. (BO)	EUR 98,800	100%	–
• Comitec S.r.l.	Castel S. Pietro T. (BO)	EUR 52,000	100%	–
<b>Foreign companies:</b>				
• Luxteco International SA	Luxembourg	EUR 3,600,000	99.99%	–
• Holteco B.V.	Amsterdam (Netherlands)	EUR 920,000	100%	–
• IMA UK Ltd.	Wokingham (UK)	GBP 50,000	100%	–
• IMA North America Inc.	Bristol (USA)	USD 2,500	100%	–
• I.M.A. Est Verp. Handels GmbH	Vienna (Austria)	EUR 280,000	100%	–
• IMA Verp. GmbH	Cologne (Germany)	EUR 90,000	100%	–
• IMA France E.u.r.l.	Rueil-Malmaison (France)	EUR 45,735	100%	–
• Precision Gears Pvt. Ltd.	Bombay (India)	RS 5,950,700	–	51% (1)
• IMA Far East Co. Ltd.	Hong Kong	USD 6,672,969	–	100% (2)
• Zibo IMA Xinhua Machinery Manufacturing Co. Ltd.	Zibo (PRC)	USD 800,000	82%	–
• Zibo IMA Xinhua Pharmatech Co. Ltd.	Zibo (PRC)	USD 978,000	82%	–
• Tianjin IMA Machinery Co. Ltd.	Tianjin (PRC)	USD 200,000	–	53% (3)
• IMA Pacific Co. Ltd.	Bangkok (Thailand)	THB 100,000,000	99.99%	–
• IMA Packaging and Processing Equipment (Beijing) Co. Ltd.	Beijing (PRC)	USD 850,000	100%	–
• Imautomatiche Lda	Madeira (Portugal)	EUR 5,000	100%	–
• IMA Iberica Processing and Packaging SL	Barcelona (Spain)	EUR 590,000	100%	–
• Kilian GmbH & Co. KG	Cologne (Germany)	EUR 3,600,000	–	100% (4)

Note: (1) Held by Holteco B.V. – (2) Held by Luxteco Int. S.A. (99.38%) and Holteco B.V. (0.62%) – (3) Held by IMA Far East Co. Ltd. – (4) Held by IMA Verpackungssysteme GmbH

## COMPANIES VALUED USING THE EQUITY METHOD

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

## EQUITY INVESTMENTS VALUED AT COST

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

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

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

During 2003, IMA Lanka Ltd., held by Holteco B.V., was put in liquidation.

The investment has been booked at cost less permanent losses in value.

No significant unrecorded charges are expected to emerge as a result of this liquidation.

The following changes in the Group structure also took place during 2004:

- Absorption by IMA S.p.A. of Libra P.T. S.r.l. and Ignition Team S.r.l., with effect from January 1, 2004.
- Transfer on February 20, 2004, of the 82% interest in Zibo Xihu Machinery Manufacturing Co. Ltd. from IMA Far East Ltd. to IMA S.p.A.

## D) TRANSITION TO INTERNATIONAL ACCOUNTING STANDARDS (IAS/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.

With a view to managing appropriately the transition to the new International Accounting Standards, the IMA Group created a number of special working parties during the first half of 2003 comprising the managers of all the principal functions concerned.

Activity to quantify the impact of the new standards on the 2004 financial statements continued during the first quarter of 2004. Based on the work performed to date and as discussed in the notes to the consolidated financial statements as of December 31, 2003, the new accounting standards are likely to have the greatest impact in relation to the valuation of tangible and intangible fixed assets, inventories, the provision for termination indemnities and derivative financial instruments.

## E) INFORMATION ON THE CONSOLIDATED BALANCE SHEET

All the information contained in this report on operating performance is stated in thousands of euro.

## NET CAPITAL INVESTED

## OPERATING CAPITAL

TRADE RECEIVABLES

	03.31.2004	12.31.2003
Trade receivables	57,767	76,670

The decrease of 18,903 thousand euro is due to the collection of trade receivables regarding deliveries made in the last two months of 2003, reflecting the effectiveness of the credit policy that the Group has been pursuing, with the help of special equipment and greater awareness on the part of the entire sales network.

INVENTORIES

	03.31.2004	12.31.2003
Inventories	141,406	117,416

The increase of 23,990 thousand euro is the result of preparing machinery that will be delivered to customers later in the year.

TRADE PAYABLES

	03.31.2004	12.31.2003
Trade payables	92,669	94,505

The change in this balance reflects both a decrease in trade payables and an increase in advances from customers in relation to future deliveries.

OTHER PAYABLES, NET

	03.31.2004	12.31.2003
Other payables, net	18,247	21,379

The change in the period, 3,132 thousand euro, mainly relates to the decrease in amounts due to tax authorities and to the increase in prepaid insurance premiums.

## FIXED ASSETS, NET

Consolidated fixed assets, net, at March 31, 2004, total 100,976 thousand euro, down 1,160 thousand euro since December 31, 2003, mainly as a result of the depreciation charge for the period, as partly offset by additions during the quarter.

TOTAL SOURCES  
OF FINANCE

## NET FINANCIAL POSITION

	03.31.2004	12.31.2003	03.31.2003	12.31.2002
Net debt	84,767	68,494	81,625	67,249
including:				
• Cash, banks and current financial assets	(30,906)	(55,294)	(43,491)	(48,725)
• Other long-term securities	(3,580)	(3,641)	(3,526)	(3,621)
• Short-term financial payables	58,454	75,865	78,821	68,347
• M/L-T financial payables	60,799	51,564	49,821	51,248

With respect to the situation at March 31, 2003, net debt at March 31, 2004, includes amounts due to other providers of finance of 8,054 thousand euro relating to the lease contract for land and an industrial building located in Calenzano (Florence), which was handed over in August 2003.

Excluding this additional item, net debt has decreased by 4,912 thousand euro compared with the same period of last year.

The change since the beginning of the year is mostly attributable to the higher value of inventories needed to cope with the many deliveries later in the year, and to the low level of self-financing generated in the period.

This situation, similar to that experienced in the corresponding period of 2003, is expected to improve in the coming quarters considering the strong concentration of deliveries in the second half of the year, as well as the effectiveness of action taken to contain the level of working capital.

#### STOCKHOLDERS' EQUITY PERTAINING TO THE GROUP

The change in stockholders' equity reflects the results for the period and the translation adjustment.

### F) INFORMATION ON THE CONSOLIDATED STATEMENT OF INCOME

The principal elements of the consolidated statement of income are discussed in the section entitled "Report on operations".

Revenues from sales and services earned by the IMA Group during the period ended March 31, 2004 are analyzed by geographic area and by product below (in thousands of euro):

#### Revenues by geographic area

	1st quarter 2004	1st quarter 2003
E.U. (excluding Italy)	17,153	23,183
Other European countries	3,936	6,851
North America	11,642	12,985
Asia	8,046	5,193
Other countries	5,048	3,967
<b>Total foreign markets</b>	<b>45,825</b>	<b>52,179</b>
Italy	3,393	3,891
<b>Total</b>	<b>49,218</b>	<b>56,070</b>

#### Revenues by product

	1st quarter 2004	1st quarter 2003
Machines and assemblies	32,531	39,918
Spares	10,689	9,900
Technical assistance	3,981	3,748
Other services	2,017	2,504
<b>Total</b>	<b>49,218</b>	<b>56,070</b>

### G) INFORMATION ON THE PARENT COMPANY

No significant events have occurred that might require additional disclosure with respect to the information already provided at a consolidated level.