
QUARTERLY REPORT FOR THE FOURTH QUARTER OF 2004

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

INTRODUCTION	PAGE	3
REPORT ON OPERATIONS	PAGE	6 - 13
DIRECTORS AND OFFICERS	PAGE	6 - 7
GROUP STRUCTURE	“	8
GROUP COMPANIES BY BUSINESS ACTIVITY	“	9
REPORT ON OPERATIONS	“	10 - 13
CONSOLIDATED BALANCE SHEET		16
CONSOLIDATED STATEMENT OF INCOME		16
EXPLANATORY NOTES		“ 18 - 25
A) ACCOUNTING POLICIES	“	18 - 21
B) CONSOLIDATION PRINCIPLES	“	21 - 22
C) CONSOLIDATION AREA	“	22 - 24
D) INFORMATION ON THE CONSOLIDATED NET FINANCIAL POSITION	“	24 - 25

INTRODUCTION

This report was approved by the Board of Directors on February 14, 2005.

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

REPORT ON OPERATIONS

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

DIRECTORS AND OFFICERS

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

In addition to the powers that it cannot delegate by law, the Board of Directors also has joint responsibility for the following matters:

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

BOARD OF DIRECTORS

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

CHAIRMAN AND MANAGING DIRECTOR

Marco Vacchi

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

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

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

MANAGING DIRECTOR

Alberto Vacchi

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

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

DIRECTOR WITH POWERS

Andrea Malagoli

Delegated powers:

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

DIRECTORS

Gino Benedetti, Paolo Braghieri (appointed on December 11, 2004), Paolo Dari, Italo Giorgio Minguzzi, Luca Poggi, Maria Carla Schiavina, Gianluca Vacchi, Stefano Visentini, Romano Volta.

**BOARD OF STATUTORY
AUDITORS**

(in office until December 31, 2006)

AUDITORS

Giorgio Comini - Chairman - Auditor

Amedeo Cazzola - Auditor

Piero Aicardi - Auditor

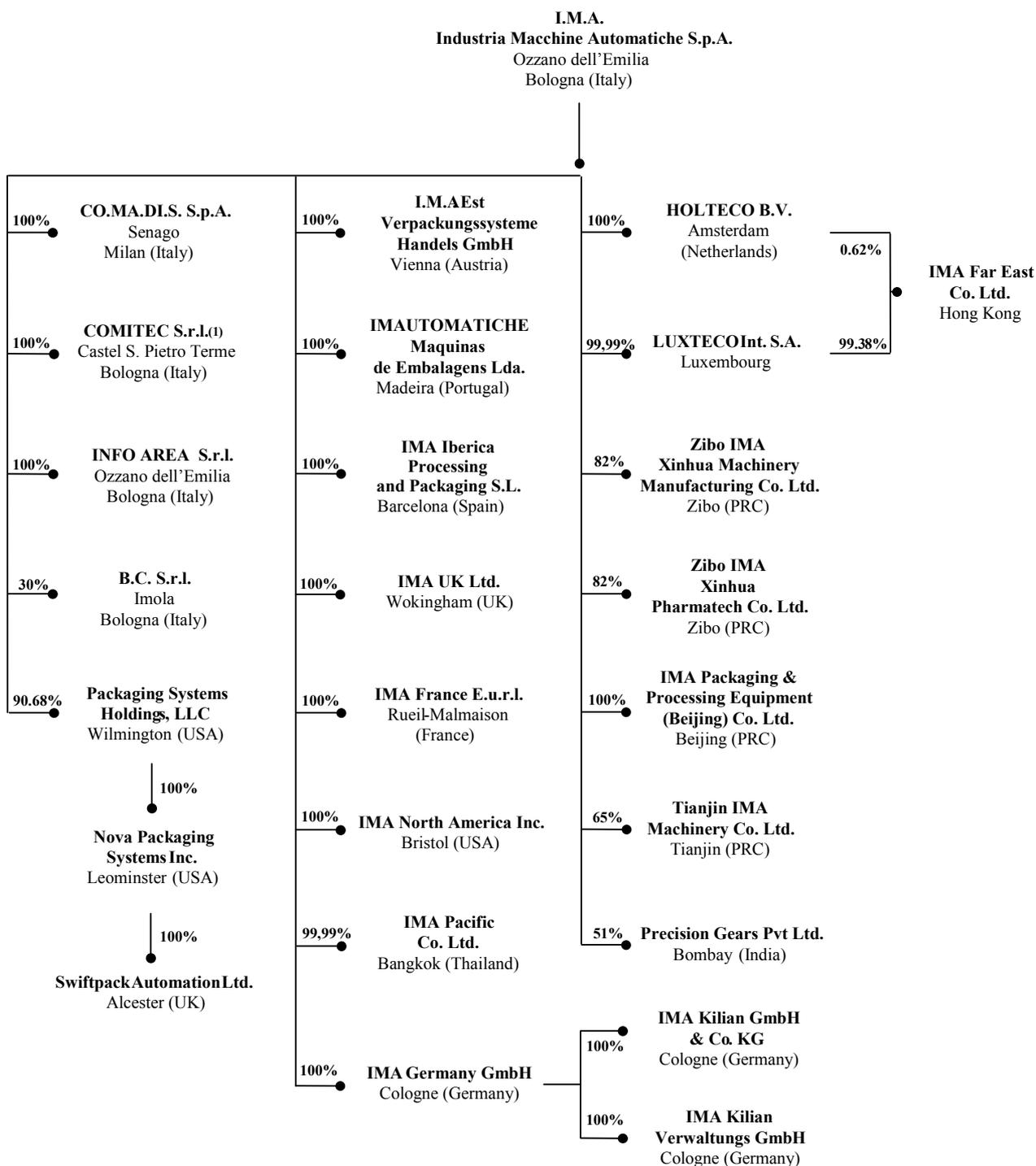
ALTERNATE AUDITORS

Vittorio Coraducci - Auditor

Chiara Gallina - Auditor

Antonella Grassigli - Auditor

GROUP STRUCTURE



(1) Company absorbed by IMA S.p.A., with effect from January 1, 2005;

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)

IMA Kilian GmbH & Co. KG
Cologne (Germany)

Precision Gears Pvt Ltd.
Bombay (India)

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

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

Tianjin IMA Machinery Co Ltd.
Tianjin (PRC)

**Nova Packaging
Systems .**
Leominster (USA)

Swiftpack Automation .
Alcester (UK)

COMMERCIAL
ACTIVITIES

IMA Germany 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)

OTHER ACTIVITIES

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

COMITEC S.r.l. (1)
Castel S. Pietro Terme
Bologna (Italy)

IMA Kilian Verwaltungs GmbH
Cologne (Germany)

FINANCIAL ACTIVITIES

Luxteco International S.A.
Luxembourg

HOLTECO B.V.
Amsterdam (Netherlands)

**Packaging Systems
Holdings LLC**
Wilmington (USA)

(1) Company absorbed by IMA S.p.A., with effect from January 1, 2005;

REPORT ON OPERATIONS

GENERAL PERFORMANCE

The recovery in the international business cycle, which began in the United States during the spring of 2003 and found support from the growth by Asia's economies, spread to the rest of the world in 2004, albeit to varying degrees. The provisional figure for the rise in worldwide GDP in 2004 is given as 4.7%, one of the highest for the last twenty years. However, 2004 is looking like the high point of that particular rally, as 2005 is looking more and more like a year of deceleration in the economic cycle, both in the USA and in Asia, Japan included. This positive trend in the economy allowed the pharmaceuticals industry to maintain a strong rate of growth (+7% at the end of November, at constant exchange rates), even if this was lower than expected by the main forecasters. The growth rate of the pharmaceuticals industry is an important point of reference for trends in our sector, as it has been demonstrated that there is a close relationship between this industry's growth rate and investment in new plant and machinery. This relationship remains valid over periods of several years, even if there may be a decoupling in the short term. In 2004 in particular, a brake was put on the growth in demand for machinery in emerging areas such as South America, the Middle East and South East Asia by the sharp devaluation of the USA dollar, to which local currencies in these areas tend to strongly anchored. US dollar weakness, on the other hand, did not affect demand from North American markets, which showed a positive trend in investments. Demand in Western Europe was slightly down compared with 2003, partly due to rationalization measures following the concentrations that have been the main feature of the pharmaceuticals industry in recent years. Growth in Central Eastern European countries, on the other hand, has been strong. Despite a lack of official statistics, we believe that worldwide demand for plant and machinery by the pharmaceuticals industry grew by very little in 2004, disappointing expectations of companies in this sector for the second year in a row and creating tensions in both prices and discounts. This is a reaction that obviously cannot go on for long; indeed, it is already causing the weaker players to abandon the field.

The tea-bagging plant sector, on the other hand, is experiencing a positive trend in demand for the third year running, mainly from countries in Eastern and Western Europe. The growing interest from North American companies in machines for the production of coffee in pods confirms the high potential of this market, which our Group entered quite recently with highly innovative proposals.

KEY FIGURES

The following are the main consolidated figures for the fourth quarter of 2004 and for the entire year, with comparative figures for the same periods last year. Given that the scope of consolidation of the IMA Group was enlarged during the last quarter of 2004 to include the Nova Group (i.e. Packaging Systems Holdings LLC – with registered offices in Delaware USA – which controls Nova Packaging Systems Inc., which in turn owns Swiftpack Automation Ltd.), the acquisition of which was completed at the end of September, key figures for the Nova Group included in the consolidation are shown separately to facilitate comparison between the two periods.

in thousands of euro	Fourth quarter			Entire year	
	2004	including Nova	2003	2004	2003
Net revenues	142,185	6,619	133,525	371,105	351,327
Gross operating profit (EBITDA)	27,160	473	35,633	47,867	54,900
% of total revenues	19.1%		26.7%	12.9%	15.6%
Operating income (EBIT)	22,657	170	31,416	32,004	39,249
% of total revenues	15.9%		23.5%	8.6%	11.2%
Income before taxes and minority interests	21,510		31,056	27,921	36,184
% of total revenues	15.1%		23.3%	7.5%	10.3%
Net debt				71,580	68,494
Order book				158,620	151,448

In the last quarter of 2004, *Group net revenues* come to 142.2 million Euro, of which 6.6 million Euro were contributed by the Nova Group. It follows that based on the same scope of consolidation, *net revenues* came to 135.6 million Euro versus 133.5 million Euro in the last quarter of 2003.

Gross operating profit for the period, again based on the same scope of consolidation, decreases by 8.9 million Euro, from 35.6 million Euro in fourth quarter 2003 to 26.7 in 2004. The main variances compared with the previous year are due:

- for 2.4 million Euro to the lower margins caused by the price tensions that characterized the pharmaceutical sector starting in the second half of 2003 and the different mix of deliveries during the period (tea-bagging machines accounted for 10% of deliveries compared with 15% in fourth quarter 2003);
- to an increase in fixed selling and general costs for 1.3 million Euro;
- to costs and charges of an exceptional and therefore non-recurring nature which are unlikely to hit future years. These refer in particular:
 - to expenses of 1.1 million Euro resulting principally from the unfavorable and unexpected outcome of a dispute in an Asian country;
 - to costs considerably over budget on highly innovative lines built according to the specifications of leading multinational groups;
 - to costs for the redesign of certain critical modules built into new product families that caused malfunctions that required a complete retrofitting towards the end of the year. We think it is fair to consider these and the previous costs as exceptional items, as they were the result of introducing innovative technologies to a new generation of product families, which proved trickier than expected to implement. Products that are currently being developed will obviously from this experience.

Year on year, *net revenues* amounted to 371.1 million Euro, including 6.6 million Euro due to the consolidation of the Nova Group in the last quarter of the year. So based on the same scope of consolidation, *net revenues* came to 364.5 million Euro, compared with 351.3 million Euro in 2003 (+3.8%). The table below gives a breakdown of *net revenues* by sector:

in millions of euro	12.31.2004	12.31.2003	% Change	
Tea and herbal tea packaging	65.69	56.96	8.73	15.3
Pharmaceuticals packaging	-202.09	208.52	(6.43)	(3.1)
Pharmaceuticals processing	-103.32	85.85	17.47	20.3
Total net sales	371.10	351.33	19.77	5.6

The contribution made by the Nova Group is included under pharmaceuticals packaging. At the same time, the year-end order book is showing the following amounts compared with the end of 2003:

in millions of euro	12.31.2004	12.31.2003	% Change	
Tea, coffee and herbal tea packaging	44.35	45.74	(1.39)	(3.0)
Pharmaceuticals packaging	88.46	79.98	8.48	10.6
Pharmaceuticals processing	25.81	25.73	0.08	0.3
Total	158.62	151.45	7.17	4.7

The order book of the Nova Group at the end of December amounted to 4.5 million Euro and is included in the figure for the pharmaceuticals packaging sector. Based on the same scope of consolidation, new orders acquired in 2004 in the pharmaceuticals and cosmetics packaging sector amounted to 200 million Euro compared with 193 million Euro in 2003 (the order book at the beginning of 2003 came to 95.3 million Euro) for an increase of 3.6%. The increase in orders for process machinery for the pharmaceuticals industry amounts to 18%, while the tea & coffee sector is showing a decrease in new orders of 8.8%. The figure for the tea & coffee sector is not representative of the trend in demand in that industry, whereas it ought to be said that in 2003 orders were accepted for deliveries spread over a number of years. The favorable trend in new orders from the pharmaceuticals and cosmetics industry in a year when demand was sluggish confirms that the IMA Group has an excellent catalogue, as well as being capable of very effective sales and marketing. We are convinced that the Group is increasing its market share in the pharmaceutical segments where we already have a presence, while at the same time we are achieving very important results in the cosmetics sector, which has extremely interesting prospects. *Net revenues* by geographical area are showing growth in the North American market (+15% in USA dollars and +4% in euro), a slight contraction in Western Europe and South America, and a good increase in the Far East.

Operating income has gone from 39.2 million Euro in 2003 to 32.0 million Euro in 2004, falling by 2.6 points as a percentage of sales. The reduction over the whole year is more or less equal to the result in the fourth quarter; indeed, the variance on the previous year is largely due to the events mentioned above. We are of the opinion that this result is significantly lower than the Group's real potential under conditions of greater exchange rate stability and lower tension in prices and demand. In any case, as we have already explained, this is a result that combines not only an unfavorable external scenario, but also non-recurring events worth close to 5 million Euro.

Net financial charges are substantially the same as last year, despite net exchange losses of 0.3 million Euro (0.1 million Euro last year).

Income before taxes therefore comes to 21.5 million Euro (31.1 million Euro in 2003), principally because of the decline in operating profitability discussed previously.

NET DEBT

Net debt at the end of 2004 amounts to 71.6 million Euro, similar to what it was at the end of the previous year (68.5 million Euro), thereby absorbing almost entirely the impact of acquiring the Nova Group (12.5 million Euro) and the capital investments made, worth 7.8 million Euro, excluding the effect of consolidating the Nova Group. The considerable improvement in net debt at the end of the year is largely due to the action taken to optimize the management of net working capital, which involved all of the Group's operating structures in a specific project launched at the beginning of 2003.

OUTLOOK

The fact that the actual results for 2004 came in below expectations means that we have to be cautious in making forecasts for the current year.

Based on the same scope of consolidation, the opening order book is only slightly higher than last year's (154.1 million Euro versus 151.4 million Euro at the start of 2004), while the number of negotiations currently being finalized is a good deal higher. For this reason, we believe it to be very prudent to assume revenue growth of between 3 and 5%, again based on the same scope of consolidation. So if we add in the contribution made on consolidation of the Nova Group, we reach an estimate of net revenues of just over 400 million Euro. As regards the forecast for operating income, we have to observe that if on the one hand 2005 should no longer be affected by the exceptional events that hit the 2004 results and it will be possible to harvest the benefits of the corrective measures taken to date, on the other we think it is still early days to assume a competitive scenario and a demand trend significantly different from those we have seen for the last two years; even if it seems to us most unlikely that the aggressive discounting policy implemented by certain competitors can continue for much longer, as we have been seeing in more recent negotiations. So if, on a conservative basis, we assume that this not particularly favorable scenario continues, we can estimate that operating income at the end of 2005 should come in just over 40 million Euro. Lastly, it is worth mentioning that this estimate takes into consideration the further hefty deterioration in the US dollar that took place at the end of 2004, when the US currency weakened by almost as much as it did at the end of 2003. This eroded some 10 million Euro of margins that should have been recovered thanks to the increases in US dollar list prices applied in 2004. At the beginning of 2005, the price list in US dollars was again brought into line with the new exchange rates, though obviously the impact of this adjustment will only take effect towards the end of 2005.

Lastly, as regards the forecast for net debt, we believe that it will be possible to further reduce our debt quite considerably by continuing to apply the policy of working capital management that we have been implementing in recent years.

CONSOLIDATED BALANCE SHEET AND STATEMENT OF INCOME

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

(IN THOUSANDS OF EURO)

	12.31.2004	09.30.2004	12.31.2003	09.30.2003
Net debt	71,580	100,205	68,494	91,416
Including:				
• liquid funds and current financial assets	(51,023)	(22,966)	(55,294)	(28,719)
• other long-term securities	(3,199)	(3,588)	(3,641)	(3,774)
• short-term financial payables	71,413	79,724	75,865	70,182
• medium/long-term financial payables	54,389	47,035	51,564	53,727

CONSOLIDATED STATEMENT OF INCOME

(IN THOUSANDS OF EURO)

STATEMENT OF INCOME	4th quarter 2004	4th quarter 2003	01/01/2004 at 12/31/2004	01/01/2003 at 12/31/2003
A. VALUE OF PRODUCTION				
<i>Revenues from sales and services</i>	138,722	131,374	363,399	345,633
<i>Change in work in progress, semifinished and finished goods</i>	(23,606)	(23,709)	121	(818)
<i>Change in contract work in progress</i>	3,463	1,229	7,706	4,679
<i>Increase in fixed assets for internal work</i>	594	1,400	2,059	1,608
<i>Other revenues and income</i>	879	2,204	2,695	3,653
TOTAL VALUE OF PRODUCTION (A)	120,052	112,498	375,980	354,755
B. PRODUCTION COSTS				
<i>Raw, ancillary, consumable materials & goods for resale</i>	34,858	28,777	128,034	116,197
<i>Services</i>	24,015	21,197	78,789	71,497
<i>Leases and rentals</i>	1,758	1,394	5,790	5,429
<i>Personnel</i>	28,692	25,897	108,537	103,245
<i>Depreciation, amortization and write-downs</i>				
- amortization of intangible fixed assets	2,554	2,369	8,712	8,833
- depreciation of tangible fixed assets	1,949	1,848	7,151	6,818
- write-down of receivables included in current assets	259	73	390	382
<i>Total depreciation, amortization and write-downs</i>	4,762	4,290	16,253	16,033
<i>Change in inventory of raw, ancillary and consumable materials and goods for resale</i>	1,591	(1,414)	1,968	(493)
<i>Provisions for risks and other</i>	909	186	1,299	1,043
<i>Other operating expenses</i>	810	755	3,306	2,555
TOTAL PRODUCTION COSTS (B)	97,395	81,082	343,976	315,506
DIFFERENCE BETWEEN THE VALUE AND COST OF PRODUCTION (A-B)	22,657	31,416	32,004	39,249
C. FINANCIAL INCOME AND EXPENSE	(1,147)	(125)	(4,183)	(4,009)
D. ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	–	–	100	13
E. EXTRAORDINARY INCOME AND EXPENSES	–	(235)	–	931
INCOME BEFORE TAXES AND MINORITY INTERESTS	21,510	31,056	27,921	36,184

EXPLANATORY NOTES

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 issued by the *Commissione per la statuizione dei Principi Contabili dei Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri* and by the *Organismo Italiano di Contabilità* (O.I.C.) and, where these are insufficient, by the International Accounting Standards Board (I.A.S.B.).

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 3/5/10 years
- Concessions, licenses and similar rights 5 years
- Trademarks 10 years
- Goodwill 10/15 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, 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% / 20%
- Manufacturing and commercial equipment 25%

- Other assets:
 - Electronic office machines 30% / 40%
 - Office fixtures and furniture 12% / 15%
 - Vehicles 20% / 25%

Depreciation is reduced by 50% 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 Committee (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; and on the liabilities side, the financial debt owed to the leasing company is booked for an amount equal to the value of the asset being leased
- 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 UNDER FIXED ASSETS

Investments in non-consolidated subsidiaries and associated companies are carried at equity or at cost, depending on their size. Equity investments in other companies are valued at purchase or subscription cost. Cost is reduced to reflect any permanent impairment of value caused by 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, applying the cost-to-cost method. 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**

Accrued income and prepayments are recorded to match revenues and expenses in the accounting periods to which they relate.

**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.

**RESERVE 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: this means that it has not calculated the current taxes, nor the deferred tax assets and liabilities for the period, based on the accounting standard for 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.

**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.

During the course of 2004, they continued to quantify the impact of the new accounting standards and to prepare the comparative data that will be needed in 2005 to draw up the consolidated financial statements of the IMA Group according to IAS/IFRS. Based on the work performed to date, 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.

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

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 under Translation difference.

C) SCOPE OF CONSOLIDATION

The financial statements as of December 31, 2004 include the figures 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 Kilian Verwaltung GmbH, as discussed below.

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
Italian companies:				
• 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%	–
Foreign companies:				
• Luxteco International SA	Luxembourg	EUR 3,600,000	3,600%	–
• Holteco B.V.	Amsterdam (NL)	EUR 920,000	100%	–
• IMA UK Ltd.	Wokingham (UK)	LST 50,000	100%	–
• IMA North America Inc.	Bristol (USA)	USD 2,500	100%	–
• I.M.A. Est Verp. Handels GmbH	Vienna (A)	EUR 280,000	100%	–
• IMA Germany GmbH	Cologne (Germany)	EUR 90,000	100%	–
• IMA France E.u.r.l.	Rueil-Malmaison (F)	EUR 45,735	100%	–
• Precision Gears Pvt Ltd.	Bombay (India)	RS 17,852,100	51%	–
• IMA Far East Co. Ltd.	Hong Kong	USD 6,672,969	–	100% (1)
• Zibo IMA Xinhua Machinery Manufacturing Co. Ltd.	Zibo (PRC)	USD 800,000	82%	–
• Zibo IMA Xinhua Pharmatech Co. Ltd.	Zibo (PRC)	USD 800,000	–	82%–
• Tianjin IMA Machinery Co. Ltd.	Tianjin (PRC)	USD 200,000	65%	–
• 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 S.L.	Barcelona (Spain)	EUR 590,000	100%	–
• IMA Kilian GmbH & Co. KG	Cologne (Germany)	EUR 3,600,000	–	100% (2)
• Packaging Systems Holdings LLC	Wilmington (USA)	USD 8,050,000	90.68%	–
• Nova Packaging Systems .	Leominster (USA)	USD 8,050,000	–	100% (3)
• Swiftpack Automation .	Alcester (UK)	GBP 1,403,895	–	100% (4)

Note: (1) Held by Luxteco Int. S.A.(99.38%) and Holteco B.V. (0.62%) – (2) Held by IMA Germany GmbH – (3) Held by Packaging Systems Holdings LLC – (4) Held by Nova Packaging Systems Inc.

**COMPANIES VALUED USING
THE EQUITY METHOD**

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

EQUITY INVESTMENTS VALUED AT COST

Registered offices	Capital stock	Direct investment	Indirect investment
• IMA Kilian Verwaltung GmbH Cologne (Germany)	EUR 25,000	–	100% (1)

Note: (1) Held by IMA Germany GmbH

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

OTHER INFORMATION

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

- Merger of Libra P.T. S.r.l. and Ignition Team S.r.l. with IMA S.p.A., with effect from January 1, 2004.
- As part of the process of reorganizing the Group's production and marketing policies in South East Asia:
 - in February 2004, the 82% interest in Zibo IMA Xinhua Machinery Manufacturing Co. Ltd. was transferred from IMA Far East Co. Ltd. to IMA S.p.A.;
 - on April 13, 2004, the 53% interest in Tianjin IMA Machinery Co. Ltd. was transferred from IMA Far East Co. Ltd. to IMA S.p.A.;
 - at the same time, IMA S.p.A. acquired a further 12% interest in Tianjin IMA Machinery Co. Ltd. from the minority stockholder Chan Nai Kit, to achieve a total stake of 65%.
- On September 29, 2004 IMA S.p.A. bought 90.68% of Packaging Systems Holding LLC, located in Delaware (USA), which controls 100% of Nova Packaging Systems LLC, an industrial holding company based in Massachusetts (USA). It in turn controls 100% of Swiftpack Automation Ltd., an industrial company located in the UK.
- The liquidation of IMA Lanka Ltd was completed on November 2, 2004 without any material costs arising;
- On December 11, 2004, Holteco B.V.'s 51% interest in Precision Gears Pvt Ltd was transferred to IMA S.p.A.. In addition, on December 17, 2004, Precision Gears Pvt Ltd. increased its capital stock from 5,950,700 to 17,852,100 rupees by means of a bonus issue, transferring equity reserves to capital.

During 2004, the directors and officers of the Group also decided to merge Comitec S.r.l. with IMA S.p.A., with effect from January 1, 2005.

And lastly, in fourth quarter 2004 the subsidiaries Ima Verpackungssysteme GmbH, Kilian GmbH & Co. KG and Kilian Verwaltung GmbH changed their names to IMA Germany GmbH, IMA Kilian GmbH & Co. KG and IMA Kilian Verwaltungs GmbH, respectively.

D) INFORMATION ON THE CONSOLIDATED NET FINANCIAL POSITION

Group net debt as of December 31, 2004 amounts to 71,580 thousand Euro, more or less in line with the previous year (68,494 thousand Euro at 12.31.2003), almost completely absorbing the impact of acquiring the Nova Group for around 12.5 million Euro, as explained in the Report on Operations.

Based on the same scope of consolidation, the net financial position has improved considerably. This confirms the effectiveness of our policy of working capital optimization. This means that the cash flow generated during the year has made it possible to absorb the entire cost of capital investments and dividends.

The amount of liquid funds and current financial assets as of December 31, 2004 is mainly thanks to the good level of cash generation, the expiry of numerous currency sale forward contracts and the collection of receivables assigned without recourse.