



REPORT ON SIX-MONTH PERIOD JANUARY-JUNE 2004



**REPORT ON OPERATIONS DURING
THE FIRST HALF OF 2004**
(TRANSLATION FROM THE ORIGINAL ISSUED IN THE ITALIAN
INTO THE ENGLISH LANGUAGE SOLELY FOR THE CONVENIENCE
OF INTERNATIONAL READERS)

I . M . A . . **INDUSTRIA MACCHINE AUTOMATICHE S.P.A.**
REGISTERED OFFICE: OZZANO DELL'EMILIA (BOLOGNA)
CAPITAL STOCK: € 18.772.000 FULLY PAID
BOLOGNA COMPANY REGISTER NO. 00307140376

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INTRODUCTION

This report was prepared by the Board of Directors on 6 August 2004.

The report shows the consolidated results of the Group and includes the financial statements of the Parent Company, IMA SpA.

It has been prepared in accordance with the requirements of the Italian Civil Code and in compliance with art. 81 of the Regulations for Issuers (implementing Dlg no. 58 of 24 February 1998 which governs issuers).

Except for where otherwise stated, the amounts shown in this report are in thousands of euro (article 81 no. 10 of the Regulations for Issuers).

It is necessary to mention that all the Group companies carry out their business almost exclusively in the field of automatic packaging machines. This is a sector in which the first half of the year is generally not representative of the year as a whole, because business tends to be concentrated in the second half of the year.

COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2004
(TRANSLATION FROM THE ORIGINAL ISSUED IN THE ITALIAN LANGUAGE)

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

DIRECTORS AND OFFICERS

(In compliance with Consob recommendation no. 97001574 of 20 February 1997)

In addition to the powers that, by law, cannot be delegated, the Board of Directors is the body exclusively responsible for:

- the Company's strategic, business and financial plans, as well as all decisions relating to the Group structure;
- all transactions that have a significant impact on the Company's income, balance sheet and results or have a value of more than €10,000,000, apart from the renewal of credit lines already granted, which is a task that may be delegated;
- all transactions with related parties, except for those with subsidiary companies, that have a significant effect on the Company's income, balance sheet and financial position.

BOARD OF DIRECTORS

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

CHAIRMAN AND MANAGING DIRECTOR

Vacchi Marco

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

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

- the power to transfer or receive, for whatever purpose or reason, shares or quotas in companies, associations or institutions, lines of business, businesses or groups of businesses and real estate, except for the power to rent or rent out real estate for a period of up to nine years;
- the power to grant secured or other guarantees and issue guarantees and letters of patronage, unless (in relation to guarantees and letters of patronage) they are issued on behalf of direct or indirect subsidiaries of the Company;
- the power to grant real rights over the assets of the Company.

MANAGING DIRECTOR

Vacchi Alberto

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

- the power to transfer or receive, for whatever purpose or reason, shares or quotas in companies, associations or institutions, lines of business, businesses or groups of businesses and real estate;
- the power to grant secured or other guarantees and issue guarantees and letters of patronage, unless (in relation to guarantees and letters of patronage) they are issued on behalf of direct or indirect subsidiaries of the Company;
- the power to grant real rights over the assets of the Company.

DIRECTOR WITH POWERS

Malagoli Andrea

Delegated powers:

- banking operations;
- the signing of contracts, the underwriting and managing of policies with any insurance institution or entity against all types of risk;
- representing the Company before civil, administrative and judicial authorities or entities at any level, as well as before any tax authority or department;
- representing the Company for all transactions regarding the shipment, clearance or withdrawal of valuables or goods.

DIRECTORS

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

**BOARD OF
STATUTORY AUDITORS**

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

AUDITORS

Comini Giorgio - Chairman - Auditor

Cazzola Amedeo - Auditor

Aicardi Piero - Auditor

ALTERNATE AUDITORS

Coraducci Vittorio - Auditor

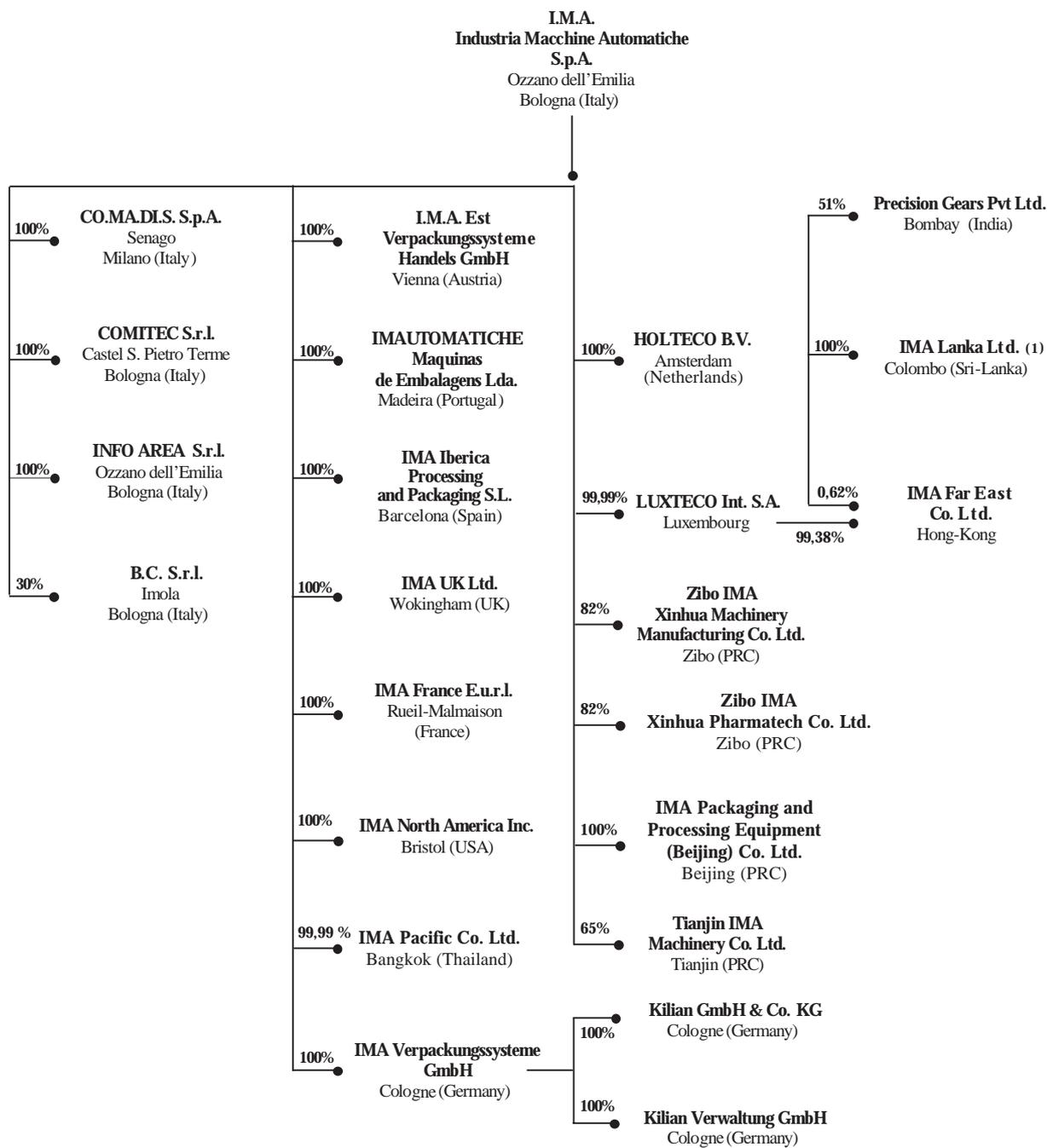
Gallina Chiara - Auditor

Grassigli Antonella - Auditor

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.

GROUP STRUCTURE



(1) Company in liquidation

GROUP COMPANIES BY BUSINESS ACTIVITY

**INDUSTRIAL
ACTIVITIES**

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

CO.MA.D.L.S. S.p.A.
Senago – Milano (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)

**OTHERS
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) Company in liquidation

GROUP PERFORMANCE

INTRODUCTION

In the second half of 2003, favored by expansive economic policies, the global economy showed signs of growth, which consolidated and strengthened in the first half of 2004. The growth was dissimilar in different areas of the world. The economies of the United States, Japan and other principal Asian countries were much more dynamic than the euro area whose recovery was limited, though better than expected. In Latin America, 2004 began with the major economies, including Brazil, recovering. As regards exchange rates, after 18 months of continuous steep decline (more than 40%) against the euro, the US dollar held steady at around 1.21 to the euro, with only minor oscillations. In the final weeks of the period, the dollar was showing some renewed signs of instability as a result of increasingly uncertain economic prospects in the USA.

Against this background, the global pharmaceutical industry, which had already achieved a growth rate of 6% in the first half of 2003, reached 9% growth in the first half of 2004. Specifically, the North American market expanded by around 10%, the European Union by around 7%, Japan by 4%, other Asian countries by 12% and Latin America by 21%. The pharmaceutical industry's demand for plant and machinery also intensified, which reflects not only the global growth that we have just mentioned, but also the introduction of new products, particularly in the biotechnology sector. Further, several exceptional events that had dominated the first half of 2003 and curbed sales in areas of high potential did not recur in 2004, which opened the way to a recovery in the demand for machinery. We are referring in particular to the outbreak of severe acute respiratory syndrome (SARS) in China and to war in Iraq, whose repercussions went beyond the Middle East. Recovery in demand, already present in the second half of 2003, became stronger in the course of 2004, and the large inflow of orders from all areas gives good grounds for optimism. On the whole, new orders from the pharmaceutical and cosmetics industries amounted to €163.8 million, a growth of 18% with respect to 2003 (about €138.7 million).

This is an extremely positive result also because, on the one hand, it discounts the effects of the weak dollar, only marginally compensated in the period by increases in the list prices of products in this currency; and, on the other, because it comes on foot of a campaign of extraordinarily aggressive discounts by certain major competitors, probably in reaction to the severe lack of orders. As IMA decided not to match the price cuts of its rivals, it was forced to give up on some important deals.

As regards the tea-bagging machines sector, certain major groups have continued to replace their existing plant equipment with IMA machines, which better cater to the requirements of their sophisticated customers. Demand for our machinery in this area remains strong.

**CONSOLIDATED
STATEMENT OF INCOME**

In the first half of 2004, the IMA Group made net operating income of €4.13 million, compared with €1.24 million in the same period of 2003 and net group income of €1.83 million, compared with €0.45 million at June 30, 2003.

The following is a summarized version of the consolidated statement of income for the half-year under review, with comparative figures for the first half of 2003:

Millions of euros	1st half 2004		1st half 2003		Change %
	Amount	%	Amount	%	
Net sales	150.48		143.72		4.7
Cost of sales	(88.85)		(85.90)		
Net gross industrial income	61.63	40.9	57.82	40.2	6.6
R&D costs	(9.14)		(9.58)		
Sales and commercial expenses	(21.74)		(21.21)		
General and admin. expenses	(24.07)		(23.24)		
Earnings before interest, taxes and amortization (E.B.I.T.A.)	6.68	4.4	3.79	2.6	76.3
Amortization of goodwill and difference arising on goodwill	(2.55)		(2.55)		
Operating profit	4.13	2.7	1.24	0.9	233.1
Net financial income (Charges)	(2.25)		(0.18)		
Value Adjustments to financial assets and dividends	0.10		(0.24)		
Net extraordinary items	–		(0.27)		
Result before taxes	1.98	1.3	0.55	0.4	260.0
Income taxes	–	–	–	–	–
Net income for the period	1.98	1.3	0.55	0.4	260.0
Net profit for year pertaining to minority shareholders	(0.15)		(0.10)		
Net income of the Group	1.83	1.2	0.45	0.3	306.7
Gross operating margin (E.B.I.T.D.A.)	11.64	7.7	8.82	6.1	32.0
Book orders	186.28		187.16		(0.5)

NET REVENUES

Consolidated net sales for the half-year grew by about 5%, despite the significantly unfavorable US dollar/euro exchange rate, which had a negative impact on nominal US-dollar revenues of about €3 million. The revenues reflect the traditionally seasonal nature of deliveries in our industry and, especially, the low sales volumes to the pharmaceutical sector at the beginning of year, which was only partially compensated by increased deliveries of tea-bagging machines. The following table shows a breakdown of our activities and net revenues, compared with the corresponding period of 2003:

Millions of euros	1st half 2004	1st half 2003	Change	%
Tea, herbal and coffee packaging	35.41	24.14	11.27	46.7
Pharmaceutical packaging	74.49	86.86	(12.37)	(14.2)
Pharmaceutical processing	40.58	32.72	7.86	24.0
Total net sales	150.48	143.72	6.76	4.7

As in 2003, so in the first half of 2004, sales growth was particularly pronounced for tea-bagging machines (+46.7%). This increase comes on top of the already extremely high growth in the first half of 2003 (+33.2% compared with the corresponding period in 2002). The increase was made possible by an exceptionally high orders book at the start of the year, which enabled this division of the Company to spread its deliveries

more evenly over the year. Conversely, the decrease in revenues in the pharmaceutical packaging sector is entirely due to the low level of orders at the beginning of the year, which declined by about €16 million (€80 million at the beginning of 2004 and €95.3 million at the beginning of 2003). This downturn could never have been more than partly reversed by a subsequent upturn, given the lengthy cycles that are characteristic of certain production lines. On the other hand, the pharmaceutical processing machinery sector, where the manufacturing cycles are shorter, responded positively to demand growth. The table that follows shows the orders acquired in the first half of 2004, compared with the same period in 2003:

Millions of euros	1st half 2004	1st half 2003	Change	%
Tea, herbal and coffee packaging	21.55	40.70	(19.15)	(47.1)
Pharmaceuticals packaging	111.37	96.29	15.08	15.7
Pharmaceuticals processing	52.39	42.41	9.98	23.5
Total	185.31	179.40	5.91	3.3

The data relating to the tea sector certainly does not represent the future trend. The first half of 2003 was marked by a concentration of significant orders from leading multinational groups for deliveries to be staggered over several years, while several ongoing negotiations generated new orders already in July. Accordingly, we are pleased to be able to say that the positive trend of the past two years is not showing signs of a slowdown, nor do we foresee one in 2005. As regards the pharmaceutical sector, the increased orders for packaging and processing machines sectors reflects the growth in the industry over the past twelve months, but is also the result of the progressive introduction of new product lines. For this reason we view these figures with satisfaction and optimistically look forward to favourable growth prospects.

The following table summarizes orders on hand at June 30, 2004:

Millions of euros	06.30.2004	06.30.2003	Change	%
Tea, herbal and coffee packaging	31.88	48.74	(16.86)	(34.6)
Pharmaceuticals packaging	116.86	104.73	12.13	11.6
Pharmaceuticals processing	37.54	33.69	3.85	11.4
Total	186.28	187.16	(0.88)	(0.5)

As regards the geographical distribution of sales, demand remains strong in North America. Demand in Central and Eastern Europe continues to be strong, particularly in Russia. Orders from China are recovering, even though comparison with the previous year is not very meaningful, because 2003 was influenced by the effects of the SARS epidemic. As regards Eastern Europe, sales growth is in line with the past year.

OPERATING PROFIT

Gross industrial income totals €61.63 million (€57.82 million in the same period of 2003) with an incidence on revenues of about 41% compared with 40.2% in the previous year. The slight improvement is due on the one hand to the effects of the weakness of the US dollar compared with the euro in the second half of 2003, and on the other, to the already mentioned aggressive discount policy applied by certain major competitors. There was also a more favourable mix of sales, which was a consequence of the greater incidence of sales of tea-bagging machines, where margins are better.

R&D costs have decreased in absolute terms by €0.44 million after the capitalization of expenses of €0.92 million relating to new products in the pharmaceutical and tea sectors. Adjusted for comparison's sake, R&D spending rose by 5%, an increase that reflects higher unit labour costs.

General and Administrative expenses are up 3.6% (from €23.24 million to €24.07 million), mainly attributable to the above-mentioned trend in labor costs (+5%).

Sales and Commercial expenses rose by 2.5% (from €21.21 million to €21.74 million), as a result of increased commissions paid to third parties in relation to higher sales made to countries not covered by the Group's direct sales force.

Amortization of goodwill and difference arising on goodwill comes to €2.55 million, the same as the corresponding period in 2003. Operating profit went from €1.24 million at June 30, 2003 to €4.13 million at June 30, 2004.

**RESULT BEFORE
INCOME TAXES**

A comparison with the first half of 2003 shows there is a significant difference in the net financial balance, which show a higher charge of €2.07 million, mainly due to the presence of dividend tax credits of €2.53 million in the first half of 2003, which were totally absent in the first half of 2004 (as a result of their legal abolition).

**CONSOLIDATED
FINANCIAL POSITION**

The following table summarizes the Group's financial position at June 30, 2004:

Millions of euros	06.30.2004	06.30.2003	12.31.2003
Trade accounts receivable	71.17	73.78	76.67
Inventories	140.19	134.30	117.42
Trade accounts payable	(103.95)	(94.83)	(94.51)
Net other payables	(20.45)	(20.79)	(21.38)
Net working capital	86.96	92.46	78.20
Intangible assets	41.12	45.37	42.99
Net tangible assets	59.11	50.87	58.66
Investments	0.58	6.81	0.49
Net fixes assets	100.81	103.05	102.14
Employee termination indemnities and other	(14.32)	(14.91)	(13.74)
Net invested capital	173.45	180.60	166.60
FINANCED BY:			
Net debt	87.53	85.77	68.49
Minority interests	2.29	2.28	2.25
Stockholders' equity pertaining to the Group	83.63	92.55	95.86
Total sources of finance	173.45	180.60	166.60

At the end of June 2004 net invested capital amounted to €173.45 million, showing a decrease of €7.15 million compared with the end of June 2003. Trade accounts receivable decreased by €2.61 million, even though turnover increased in the last quarter. This trend confirms the efficacy of the ongoing efforts made over the past two years, which have included making the whole sales network more sensitive to the need to collect receivables.

The high level of inventories is mostly ascribable to the expectation that deliveries in the second half of the year will be much higher than in the same period of the previous year, though it also partly reflects the fact that the company is offering customers both new- and old-generation product lines.

Further, the higher volume of stocks is also offset by trade accounts payable, which rose €9.12 million (from €94.83 million to €103.95 million). Accordingly net working capital has decreased by €5.50 million compared with June 30, 2003. The increase in net tangible and intangible assets compared with June 30, 2003 (+€3.99 million) reflects the higher level of new investment - mainly in the Calenzano (formerly Libra) plant (€9.65 million). The increase in net tangible and intangible assets compared with June 30, 2003 (+€3.99 million) reflects greater new investment mainly in the Calenzano (formerly Libra) plant (€9.65 million) completed in the second half of 2003 - than depreciation and amortization depreciation and amortization accrued in the period. In the second half of the year, this situation is expected to be reversed, with amortization /depreciation exceeding new investment for the period compared with a year earlier.

The decrease in equity investments is mainly due to the disposal of a 7.8% holding that the subsidiary Luxteco International SA possessed in Medinvest International SpA, as already mentioned in the 2003 Report. The changes in net invested capital were not particularly significant with respect to December 31, 2003. They mainly reflect the seasonal nature of the business and followed the same pattern as in 2003.

Net financial debt at June 30, 2004 amounted to €87.53 million compared with €85.77 million at June 30, 2003. This is a significantly positive result if we consider that during the same period last year indebtedness had increased by €14 million (June 30, 2002: €71.38 million; June 30, 2003: €85.77 million) and that, further, an extraordinary dividend amounting to €14.44 million was distributed in December 2003. The figure at December 31, 2003 has remained substantially unchanged from the preceding year. We expect that the results for the second half-year, coupled with the efforts now being made to reduce working capital, will lead to a significant improvement in the Group's net financial position.

CAPITAL INVESTMENT

Investment in fixed assets for the Group amount to about €4 million and are substantially the same as in the same period of 2003 (€4.17 million). The item mainly relates to the completion of work on industrial buildings, which started in 2002 – 2003. With regard to Group investment in intangible assets, which amount to €2 million, it should be noted that €0.92 million is due to the capitalization of totally new products whose effect on income will be felt over the coming years.

ANALYSIS OF PERFORMANCE BY SECTOR

The following schedule which has been prepared on a consolidated basis, analyses operations during the first half of 2004, in accordance with Consob recommendation no. 98084143 of October 27, 1998.

The performance in the various sectors of activity has been amply commented on in our analysis of the consolidated statement of income.

Millions of euros	Tea 1st half		Packaging 1st half		Process 1st half		Other 1st half	
	2004	2003	2004	2003	2004	2003	2004	2003
Net sales	35.41	24.14	74.49	86.86	40.58	32.72	–	–
EBITA (**)	12.42	5.44	(4.54)	1.58	(1.20)	(3.23)	–	–
Operating profit	12.42	5.44	(5.47)	0.64	(2.82)	(4.84)	–	–
Net invested capital	21.36	17.40	67.62	74.20	76.79	82.20	7.68	6.80
R&D								
Costs	1.49	1.55	5.22	5.21	2.43	2.82	–	–
Personnel at 06/30/2004 (*)	231	217	1.325	1.316	450	475	434	378
Book order	31.88	48.74	116.86	104.73	37.54	33.69	–	–

(*) 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 administration and central offices.

(**) Net operating profit before amortization of goodwill and consolidation differences.

With regard to the net operating income, it should be noted that the changes compared with the same period of the previous year are substantially related to the increased revenues and their beneficial effect on the operating margin.

Net invested capital includes €31.94 million for goodwill and consolidation differences, of which €5.09 million relates to the packaging sector and €26.85 million to the processing sector.

The amount of net capital invested reported in the "Other" column mainly reflects the value of equity investments that cannot be reallocated.

OTHER INFORMATION

SIGNIFICANT EVENTS OCCURRING AFTER THE CLOSE OF THE FIRST HALF-YEAR

There have been no particularly significant events after the close of the first half of 2004.

OUTLOOK FOR THE YEAR

With reference to the activities of the Group in the pharmaceutical and cosmetics sectors it should be noted that the favorable flow of new orders which marked the first six months of the present year have allowed us to close the period under review with a level of orders on hand which, when added to net revenues, comes out higher than the same figure for 2003 by about €6 million. In the presence of the favorable situation in the pharmaceutical industry whose growth rate at the end of 2004 is expected to be more than 10% above that for 2003, and thanks also to an increase in the number of new drugs put on the market, partly as a consequence of the streamlining of the approval procedures of the Food and Drug Administration (FDA), we have reason to believe that the demand for new machinery should also remain significantly above those in the preceding year. In this, we are supported by the healthy flow of new orders that we continue to receive from all the major markets, which is a very significant indicator of the trend in demand.

Demand seems to be developing well in Latin America and the Middle East, which had particularly suffered from the unfavorable economic situation of the past two years. This improvement will, of course, be only partially reflected in the results for the year, in view of the long throughput periods that are characteristic of our industry.

We therefore forecast an increase in revenues in the pharmaceutical and cosmetics sectors of about 5% in 2004. As regards the tea packaging sector, the numerous commercial talks now at an advanced stage allow us to look forward to a healthy batch of fresh orders in the second half of 2004, which will translate into deliveries and revenues in future financial years. In the meantime, the large numbers of orders on hand at the end of June, together with the value of turnover for the first half-year, enables us to forecast that the sector will enjoy revenue growth of around 10% in 2004.

In the light of the above, consolidated Group turnover in 2004 is expected to be 5-8% higher than that for 2003.

With regard to operating results, we can already predict a fairly good increase in their incidence on total revenues. It is possible that this evaluation may turn out to be too conservative, but it reflects our concern over the aggressive and questionable price-cutting war being waged in some product lines by some of our major competitors, the Germans in particular. In certain cases, their actions have forced our Group to make concessions on prices, with negative effects on margins.

In more general terms, however, we can note with satisfaction that, even in an uncertain global situation, the prospects for our Group are good thanks to the growth in demand. We believe we can close the year with much higher revenues, better results and, especially, fuller order books, which make the prospects for 2005 look very good.

RELATIONS WITH GROUP COMPANIES AND PARENT COMPANIES

With regard to transactions with parent companies, at June 30, 2004 IMA SpA was 51% controlled by FINVACCHI SpA, a subsidiary of Lopam Fin SpA. During the period there were no significant transactions between IMA SpA and its parent companies.

With respect to Group companies in charge of industrial activities, IMA SpA's transactions primarily relate to the purchase and sale of machinery necessary to set up complete production lines. With respect to Group companies engaged in sales and marketing activities, IMA SpA operates in the local environment of each company as an intermediary for the sale, distribution and servicing of products manufactured by its divisions.

The same commercial brokering arrangements also exist with other IMA SpA subsidiaries engaged in industrial activities. The Group's financial companies hold interests in certain foreign companies and engage in transactions of a financial nature with them.

The Group also includes service companies, which operate both for the Group and for external companies, and originated in connection with the process of outsourcing non-strategic activities. In brief, the parent company, IMA SpA produces packaging and filling machines for the tea and pharmaceutical industries, and end-of-line equipment for the pharmaceutical and cosmetics industries. The entire range of products is sold, along with technical assistance services, by the sales and marketing branches in the geographic areas covered by them. A vast network of agencies looks after the areas not covered by the branches.

The activities performed by the Group companies are listed below.

INDUSTRIAL COMPANIES

- Precision Gears Pvt. Ltd. (Bombay) manufactures blister and cartoning machines mainly for sale to emerging markets.
- B.C. S.r.l., Imola (BO) Italy, held 30% by IMA S.p.A., manufactures mechanical components for Group companies and third parties.
- Zibo IMA Xinhua Machinery Manufacturing Co. Ltd. and Zibo IMA Xinhua Pharmatech Co. Ltd., Zibo (China), assemble machines for the pharmaceutical industry.
- Tianjin IMA Machinery Co. Ltd., located in Tianjin (China), provides technical assistance for South East Asia.
- Kilian GmbH & Co. KG, located in Cologne (Germany), manufactures tablet press machines for the pharmaceutical and chemical sectors.
- CO.MA.DI.S. S.p.A., Senago (MI) Italy, manufactures tube-filling machines for the pharmaceutical, cosmetics, chemical and food industries.

MARKETING COMPANIES

The marketing companies listed below, provide technical assistance and market the machines manufactured by the Group Companies and by third parties, in their respective territories.

- IMA North America Inc., located in Bristol (USA).
- IMA France E.u.r.l., located in Rueil-Malmaison (France).
- IMA Verpackungssysteme GmbH, located in Cologne (Germany).
- IMA UK Ltd., located in Wokingham (UK).
- IMA Est Verpackungssysteme Handelsgesellschaft GmbH, located in Vienna (Austria).
- IMA Far East Co. Ltd., located in Hong Kong.
- Imautomatiche Lda., located in Madeira (Portugal).
- IMA Lanka Ltd., located in Colombo (Sri Lanka), in liquidation since July 2003.
- IMA Pacific Co. Ltd., located in Bangkok (Thailand).
- IMA Packaging and Processing Equipment (Beijing) Co. Ltd., located in Beijing (China).
- IMA Iberica Processing and Packaging S.L., located in Barcelona (Spain).

FINANCIAL HOLDING COMPANIES

- Luxteco International S.A., located in Luxembourg (99.99% IMA S.p.A.) and holder of 99.38% of the shares of IMA Far East Co. Ltd.
- Holteco B.V., located in Amsterdam (Netherlands), is wholly owned by IMA S.p.A. It is the parent company of Precisions Gears Pvt. Ltd. in Bombay and owns 100% of IMA Lanka Ltd.

OTHER COMPANIES

- Infoarea S.r.l., located in Ozzano dell'Emilia (Bologna) Italy. The company specializes in the supply of IT goods and services to the Group companies and third parties.
- Comitec S.r.l., located in Castel S. Pietro Terme (Bologna) Italy. The company provides technical design and drawing services to the Group. Within the context of a program for the rationalization of the Group structure, the Boards of Directors of IMA S.p.A. and Comitec S.r.l. have decided to submit to their respective

shareholders' meetings the merger project to absorb Comitec S.r.l. into IMA S.p.A. If the resolution is approved, will take effect as from January 1, 2005

- Kilian Verwaltung GmbH, wholly owned by IMA Verpackungssysteme GmbH, is the general partner in Kilian GmbH & Co. KG.

We will now examine the key data for the first half of 2004 and the corresponding period in 2003 relating to the individual Group companies which have been consolidated using the global integration method (thousands of euros).

Company	1st half 2004			1st half 2003		
	Sales	Net operating income	Result before taxes	Sales	Net operating income	Result before taxes
Industrial						
• CO.MA.D.I.S S.p.A.	1,671	(338)	(379)	2,559	(31)	(161)
• Precision Gears Pvt Ltd. Bombay	3,683	301	243	3,054	243	228
• Tianjin IMA Machinery Co. Ltd.	251	30	33	131	(15)	6
• Zibo IMA Xinhua Machinery Manufacturing Co. Ltd.	274	26	50	527	43	(46)
• Zibo IMA Xinhua Pharmatech Co. Ltd.	371	41	42	–	–	–
• Kilian GmbH & Co. KG	13,418	(1,666)	(1,950)	14,147	(1,153)	(1,624)
Marketing						
• IMA North America Inc.	25,573	(15)	(44)	27,418	12	(47)
• IMA Verpackungssysteme GmbH	1,870	159	28	2,805	101	(67)
• IMA France E.u.r.l.	2,001	(151)	(163)	2,599	74	47
• IMA Est Verpackungssys., Handels GmbH	3,030	891	854	1,427	(139)	(191)
• IMA UK Ltd.	2,056	(245)	(350)	2,080	(42)	78
• IMA Far East Co. Ltd.	–	(234)	(177)	146	(596)	(593)
• Imautomatiche Lda.	2,736	49	95	1,870	(20)	(79)
• IMA Iberica Processing and Packaging S.L.	668	115	112	749	(122)	(125)
• IMA Pacific Co. Ltd.	1,706	660	676	–	–	–
• IMA Packaging and Processing Equipment (Beijing) Co. Ltd.	409	67	66	–	–	–
Financial holding companies						
• Luxteco International S.A.	(11)	(105)	–	(141)	(891)	
• Holteco B.V.	–	(11)	140	–	(20)	(10)
Others						
• Info Area S.r.l.	4,234	554	569	3,789	768	741
• Comitec S.r.l.	375	43	48	427	72	64

The negative results for certain Group companies are largely attributable to the seasonal nature of their activities, where there is a preponderance of deliveries in the second part of the year. We can therefore expect a turnaround for all the results for the year-end. In particular, an improvement is expected in the earnings of Kilian GmbH & Co. KG through cost reductions and higher sales in the second half of the year. Procedures are under way to wind up IMA Far East Co. Ltd., an operation that forms part of the reorganization of the Group's activities in South East Asia.

CONSOLIDATED BALANCE SHEET AND STATEMENT OF INCOME
AS OF JUNE 30, 2004
(TRANSLATION FROM THE ORIGINAL ISSUED IN THE ITALIAN LANGUAGE)

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

CONSOLIDATED BALANCE SHEET

AS OF JUNE 30, 2004 AND COMPARISON WITH JUNE 30, 2003 AND DECEMBER 31, 2003 (THOUSANDS OF EUROS)

ASSETS	June 30, 2004	June 30, 2003	December 31, 2003
A. SUBSCRIBED CAPITAL UNPAID	–	–	–
B. FIXED ASSETS			
<i>I. Intangible assets</i>			
Formation, start-up and similar costs	681	824	874
Research and development costs	–	2	–
Industrial patent and intellectual property rights	479	571	549
Concessions, licenses, trademarks and similar rights	4.072	4.505	4.783
Goodwill	13.205	15.296	14.251
Goodwill arising on consolidation	18.740	21.726	20.233
Assets under development and payments on account	2.152	395	587
Other intangible assets	1.790	2.051	1.712
<i>Total intangible assets</i>	41.119	45.370	42.989
<i>II. Tangible assets</i>			
Land and buildings	32.477	23.372	31.346
Plant and machinery	14.979	13.555	15.155
Industrial and sales equipment	2.560	1.851	2.044
Other tangible assets	4.303	4.454	3.831
Assets under construction and payments on account	4.791	7.641	6.287
<i>Total tangible assets</i>	59.110	50.873	58.663
<i>III. Financial assets</i>			
Investments in			
- subsidiaries	25	297	25
- associated companies	488	388	388
- other companies	71	6.123	71
Receivables from others	947	1.198	1.021
Other securities	3.580	3.526	3.641
<i>Total financial assets</i>	5.111	11.532	5.146
TOTAL FIXED ASSETS (B)	105.340	107.775	106.798
C. CURRENT ASSETS			
<i>I. Inventories</i>			
Raw materials, supplies and consumable stores	11.837	7.238	12.079
Products in course of manufacture and semi-finished goods	116.682	118.891	96.115
Contract work in progress	7.874	3.751	6.596
Finished goods and merchandise	3.796	4.424	2.617
Advances	3.603	3.092	3.633
<i>Total inventories</i>	143.792	137.396	121.040
<i>II. Receivables</i>			
Receivables due after subsequent period			
- Customers	1.351	4.364	941
- Tax credits	311	–	–
- Deferred tax assets	3.182	1.604	3.099
- Others	97	80	73
Total receivables due after subsequent period	4.941	6.048	4.113
Receivables due within subsequent period			
- Customers	69.822	69.418	75.726
- Subsidiaries	17	136	77
- Parent companies	–	–	3
- Tax credits	4.193	6.397	4.663
- Deferred tax assets	3.496	3.278	3.607
- Others	3.136	3.929	2.606
Total receivables due within subsequent period	80.664	83.158	86.682
<i>Total receivables</i>	85.605	89.206	90.795
<i>III. Current financial assets</i>			
Own shares	–	8.235	–
Other securities	167	404	340
Current receivables	504	2.794	127
<i>Total current financial assets</i>	671	11.433	467
<i>IV. Cash and cash equivalents</i>	23.481	34.395	54.827
<i>Total cash and cash equivalents</i>	23.481	34.395	54.827
TOTAL CURRENT ASSETS (C)	253.549	272.430	267.129
D. ACCRUED INCOME AND PREPAID EXPENSES	3.798	3.592	2.619
TOTAL ASSETS	362.687	383.797	376.546

CONSOLIDATED BALANCE SHEET

AS OF JUNE 30, 2004 AND COMPARISON WITH JUNE 30, 2003 AND DECEMBER 31, 2003 (THOUSANDS OF EUROS)

LIABILITIES	June, 30 2004	June 30, 2003	December 31, 2003
A. STOCKHOLDERS' EQUITY			
<i>I. Capital stock</i>	18.772	18.772	18.772
<i>II. Share premium reserve</i>	16.382	16.382	16.382
<i>III. Revaluation reserves</i>	395	395	395
<i>IV. Legal reserve</i>	4.323	4.397	4.397
<i>V. Reserve for own shares in portfolio</i>	-	8.235	-
<i>VI. Other reserves</i>	24.175	24.893	17.801
<i>VII. Exchange difference</i>	-1.034	-651	-1.413
<i>VIII. Retained earnings (losses)</i>	18.785	19.675	20.562
<i>IX. Net income (loss) of the Group</i>	1.834	447	18.963
Total consolidated stockholders' equity	83.632	92.545	95.859
<i>Capital and reserves attributable to minority interests</i>	2.291	2.285	2.246
NET CONSOLIDATED STOCKHOLDERS' EQUITY OF THE GROUP AND MINORITY INTERESTS (A)	85.923	94.830	98.105
B. PROVISIONS FOR RISKS AND CHARGES			
Other provisions	6.168	6.457	6.096
TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	6.168	6.457	6.096
C. EMPLOYEE TERMINATION INDEMNITIES	22.033	21.044	21.453
D. PAYABLES			
Payables due after subsequent period			
- Amounts due to banks	48.349	48.620	44.170
- Amounts due to other lenders	6.977	-	7.394
- Suppliers	-	3	10
- Taxes	212	-	-
- Social security institutions	13	-	-
- Other payables	1	54	-
Total payables due after subsequent period	55.552	48.677	51.574
Payables due within subsequent period			
- Amounts due to banks	59.034	86.386	74.627
- Amounts due to other lenders	905	120	1.238
- Advances	31.545	30.259	28.379
- Suppliers	76.379	68.150	69.722
- Subsidiaries	-	49	-
- Associated companies	554	476	562
- Parent companies	6	-	14
- Taxes	1.806	4.554	4.772
- Social security institutions	2.533	2.483	3.904
- Other payables	15.437	15.668	11.123
Total payables due within subsequent period	188.199	208.145	194.341
TOTAL PAYABLES (D)	243.751	256.822	245.915
E. ACCRUED EXPENSES AND DEFERRED INCOME	4.812	4.644	4.977
TOTAL LIABILITIES	362.687	383.797	376.546
MEMORANDUM ACCOUNTS			
Unsecured guarantees given	8.432	6.332	8.396
Contingencies	4.745	7.343	14.998
Commitments	61.487	61.017	47.679
TOTAL	74.664	74.692	71.073

CONSOLIDATED STATEMENT OF INCOME

FOR THE FIRST HALF OF 2004 COMPARED WITH THE FIRST HALF OF 2003 (THOUSANDS OF EUROS)

CONSOLIDATED STATEMENT OF INCOME	first half 2004	firts half 2003	year 2003
A. VALUE OF PRODUCTION			
<i>Revenues from sales and services</i>	149.202	141.886	345.633
<i>Change in inventories of products in course of manufacture, semi-finished and finished goods</i>	21.391	18.837	-818
<i>Change in contract work in progress</i>	1.278	1.825	4.679
<i>Capitalization of internal construction costs</i>	1.107	171	1.608
<i>Other revenues and income</i>			
- operating grants	158	-	494
- other revenues and income	1.510	888	3.159
<i>Total other revenues and income</i>	1.668	888	3.653
TOTAL VALUE OF PRODUCTION (A)	174.646	163.607	354.755
B. PRODUCTION COSTS			
<i>Raw materials, supplies, consumable stores and merchandise</i>	64.901	61.516	116.197
<i>Services</i>	37.473	34.683	71.497
<i>Rent, leasing and similar costs</i>	2.659	2.587	5.429
<i>Personnel costs</i>			
- wages and salaries	40.957	39.369	76.086
- social security	12.082	11.518	22.317
- employee termination indemnities	2.170	2.075	4.109
- other costs	550	358	733
<i>Total personnel costs</i>	55.759	53.320	103.245
<i>Amortization, depreciation and write-downs</i>			
- amortization of intangible assets	4.036	4.260	8.833
- depreciation of tangible assets	3.474	3.319	6.818
- write-downs of current receivables	174	258	382
<i>Total amortization, depreciation and write-downs</i>	7.684	7.837	16.033
<i>Change in inventories of raw materials, supplies, consumable stores and merchandise</i>	247	358	-493
<i>Provision for risks and other provisions</i>	216	677	1.043
<i>Sundry operating costs</i>	1.581	1.390	2.555
TOTAL PRODUCTION COSTS (B)	170.520	162.368	315.506
DIFFERENCE BETWEEN THE VALUE OF PRODUCTION AND PRODUCTION COSTS (A-B)	4.126	1.239	39.249
C. FINANCIAL INCOME AND CHARGES			
<i>Income from investments</i>			
- dividends and other income from other enterprises	1	-	8
<i>Total income from investments</i>	1	-	8
<i>Other financial income</i>			
- from securities included under fixed assets other than investments	12	15	274
- from securities under current assets other than investments:			
gains	-	-	756
interest	3	8	15
- income other than the above:			
other interest and financial income	1.104	3.495	2.006
<i>Total other financial income</i>	1.119	3.518	3.051
<i>Interest expense and other financial charges</i>			
- other interest expense and charges to parent companies	6	-	14
- other interest and financial charges	2.809	3.336	6.918
<i>Total interest expense and other financial charges</i>	2.815	3.336	6.932
<i>Exchange gain (loss)</i>	-549	-364	-136
TOTAL FINANCIAL INCOME AND CHARGES (C)	-2.244	-182	-4.009
D. VALUE ADJUSTMENTS TO FINANCIAL ASSETS			
<i>Revaluations</i>	100	77	77
<i>Write-downs</i>	-	320	64
TOTAL VALUE ADJUSTMENTS TO FINANCIAL ASSETS (D)	100	-243	13
E. EXTRAORDINARY INCOME AND CHARGES			
<i>Extraordinary income</i>			
- gains on disposal of assets	-	-	45
- other extraordinary income	-	-	1.488
<i>Total extraordinary income</i>	-	-	1.533
<i>Extraordinary charges</i>			
- losses on disposal of assets	-	-	97
- prior years' taxes	-	270	505
<i>Total extraordinary charges</i>	-	270	602
TOTAL EXTRAORDINARY ITEMS (E)	-	-270	931
RESULT BEFORE TAXES	1.982	544	36.184
<i>Income taxes for the period</i>			
- current taxes	-	-	18.746
- deferred taxes	-	-	-1.829
<i>Total taxes</i>	-	-	16.917
NET INCOME FOR THE PERIOD	1.982	544	19.267
THIRD PARTY NET INCOME	-148	-97	-304
GROUP NET INCOME	1.834	447	18.963

EXPLANATORY NOTES TO THE
CONSOLIDATED BALANCE SHEET AND
STATEMENT OF INCOME
AS OF JUNE 30, 2004
(TRANSLATION FROM THE ORIGINAL ISSUED IN THE ITALIAN LANGUAGE)

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

A) BASIS OF ACCOUNTING

This half-year report on operations has been prepared in accordance with the provisions of the Italian Civil Code integrated and interpreted according the Accounting Principles of the National Accounting Profession and the Italian Accountancy Body (“OIC” - Organismo Italiano di Contabilità) and, where lacking these principles, on the basis of the International Accounting Standards issued by the I.A.S.B. (International Accounting Standards Board).

Below are the main valuation methods applied:

INTANGIBLE ASSETS

Intangible assets are stated at purchase or production cost inclusive of additional costs and costs directly or indirectly related to the asset. They are systematically amortized over the estimated useful life of the asset.

Below are reported the amortization criteria applied to the various captions of intangible assets:

- Formation, start-up and similar costs 5 years
- Research and development costs 5 years
- Industrial patent and intellectual property rights 3/5 years
- Concessions, licenses and similar rights 5 years
- Trademarks 10 years
- Goodwill 10 years
- Goodwill arising on consolidation 4/10/15 years
- Other intangible assets 5/10 years / contract duration

Advertising, research and development costs are generally charged to the statement of income as incurred, except for development costs for specific projects for the manufacture of brand-new products that, due to their features, may be included under intangible assets as specified in the reference Accounting Principles. These development costs are amortized starting from the year before incurred.

Advertising, research and development costs are amortized over the estimated useful life of the asset as from the moment in which products are economically viable.

TANGIBLE ASSETS

Tangible assets are stated at purchase or production cost, or at their appraisal value if supplied. The values of certain assets are adjusted in accordance with specific provisions of law or in the case of merger put in place in previous accounting periods. Costs include additional charges and expenses directly related to the asset. Tangible assets are systematically depreciated on a straight-line basis as follows:

- Land and buildings 3%
- Plant and machinery 10% / 15.5%
- Industrial and sales equipment 25%
- Other tangible assets:
 - Electronic office machines 40%
 - Furniture and office equipment 12%
 - Motor vehicles 20% / 25%

Depreciation rates are reduced by 50% in the year the asset is purchased.

In the case of permanent impairment, regardless of the depreciation already recorded, the related asset is written down accordingly. Ordinary maintenance costs are charged in full to the statement of income. Maintenance costs incurred to extend the estimated useful life of the asset are incorporated into the value of the asset to which they refer, and depreciated over its residual useful life.

LEASED ASSETS

Leased assets are stated as specified in document no. 17 of the International Accounting Standards Board (I.A.S.B.). It sets out that:

- the cost of leased assets is recorded within tangible assets and depreciated according to the straight-line method over the assets' useful lives. A payable to the leasing company reflecting the value of the leased asset is entered as a counter-item.
- lease instalments are accounted for to reflect interest from principal separately, and are deemed as the repayment of the payable to the lessor.

FIXED INVESTMENTS AND SECURITIES

Investments in unconsolidated associated and subsidiary companies are valued according to the equity method or at cost if significant.

Investments in other companies are valued at purchase or subscription cost. The cost is reduced for permanent impairment if the investee companies have suffered losses, and sufficient profits to offset the losses are not expected to be earned in the near future.

Fixed-income receivables included under fixed assets are stated at purchase cost after issue premiums and discounts are recorded as accrued income/expenses.

The purchase cost of an asset is written down in case of permanent impairment.

INVENTORIES

Inventories are stated at the lower of purchase/production cost and corresponding market value or estimated realizable value. For raw materials, supplies and consumable stores, the cost is calculated according to the LIFO method, and for the other inventories based on the specific cost. The estimated realizable value takes account of possible manufacturing costs yet to be incurred, and direct selling expenses.

Obsolete or slow-moving inventories are valued according to their estimated utilization or sale in relation with the average duration of the production cycle.

Contract work in progress includes medium/long-term contracts. They are valued based on the fees accrued with a reasonable certainty according to the percentage-of-completion method and by applying the cost-to-cost method. Likely losses on contracts are charged in full to the statement of income in the period they become known.

CURRENT FINANCIAL SECURITIES AND ASSETS

These are stated at the lower of cost and market value calculated on the basis of prices at period-end.

RECEIVABLES

Receivables are stated at their estimated realizable value.

ACCRUALS AND DEFERRALS

Accruals and deferrals include the portion of revenues and expenses covering two or more financial periods in accordance with the accruals method of accounting.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are accrued to cover certain or probable losses or liabilities whose amount and effective date are not determinable at period-end. The provisions reflect the best possible estimate based on available information. Potential risks for which no provisions have been made are outlined in the notes to the consolidated financial statements.

PROVISION FOR EMPLOYEE TERMINATION INDEMNITIES

The provision for employee termination indemnities is accrued to cover in full the liability due to employees in accordance with current legislation, national labor agreements and additional indemnities agreed at company level. The provision is subject to revaluation on the basis of indexes.

PAYABLES

Payables are stated at their nominal value.

TAXES

The Group exercised the rights under article 81 no. 7 of the Issuer's Regulations, and disclosed its net result for the period gross of taxes; accordingly, it did not calculate current taxes, deferred tax assets and liabilities arising from the application of the accounting principle for income taxes. The net result attributable to minority interests has therefore been calculated on the basis of the investee companies' results before current taxes, and deferred tax assets and liabilities for the period.

CAPITAL AND OPERATING GRANTS

Capital grants are directly disclosed, when the amounts become certain, as a special heading under Accrued Expenses and Deferred Income, and are charged to the statement of income over the residual useful lives of the fixed assets they refer to. Operating grants are accounted for in the statement of income when the related amounts become certain.

REVENUE RECOGNITION

Revenues from the sale of products are recognized at the moment the property is transferred, which generally coincides with shipping. Contract work in progress covering several years are recognized in the manner previously described.

TRANSLATION CRITERIA FOR FOREIGN CURRENCY ITEMS

Assets and liabilities denominated in a foreign currency, except for fixed assets, are stated at the spot exchange rate at period-end, and the related exchange gains and losses are charged to the statement of income as financial revenues and costs.

Fixed assets denominated in a foreign currency are stated at the exchange rate current at the time of their purchase or at the lower rate at period-end, if the reduction is deemed permanent.

Exchange differences realized when receivables and payables in foreign currency are collected/paid are recorded in the statement of income.

B) CONSOLIDATION PRINCIPLES

Consolidation is carried out on a line-by-line basis. Below are specified the main line-by-line consolidation criteria:

- the book value of the equity investments held by the Parent Company or by other consolidated companies is written off against the related net equity, and the assets and liabilities of investee companies are entered in the consolidated accounts;
- the difference between the acquisition cost of the investments and the related net equity of the consolidated companies is allocated, if possible, to the assets to reflect their fair value and the unallocated portion is recorded under “Goodwill arising on consolidation” of intangible assets;
- significant transactions among consolidated companies are eliminated as well as credit and debit entries, and unrealised profits arising from intercompany transactions;
- the portion of stockholders’ equity attributable to minority interests is disclosed as a special heading, and the related net result for the period is shown separately in the consolidated statement of income;
- investments purchased or disposed of during the period are consolidated as long as they are held by the Group.

The financial statements of consolidated foreign companies outside the Euro Area are converted into euros by valuing balance sheet items at the spot exchange rate current at period-end, items forming stockholders’ equity at historical exchange rates, and items on the income statement at the average rates for the period.

The differences arising from the conversion of the opening net equity at the spot exchange rates current at period-end and the conversion of the income statement items at the average rates for the period are included in a special heading of stockholders’ equity named “Exchange difference”.

C) SCOPE OF CONSOLIDATION

The consolidated financial statements at June 30, 2004 of the IMA Group derive from the consolidation at the same date of IMA S.p.A. and its directly and indirectly controlled companies, with the exclusion of IMA Lanka Ltd. and Kilian Verwaltung GmbH for the reasons below.

During the first half 2004 the following changes took place within the Group:

- The merger by incorporation of Libra P.T. S.r.l. and Ignition Team S.r.l. into IMA S.p.A., effective from January 1, 2004.
- As part of the reorganization process of the Group production and commercial policies in South-East Asia:
 - in February 2004 the 82% equity interest held 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% equity interest held in Tianjin IMA Machinery Co. Ltd. was disposed of by IMA Far East Co. Ltd. to IMA S.p.A.;
- at the same time the Parent Company purchased an additional 12% stake in Tianjin IMA Machinery Co. Ltd. from the minority stakeholder Chan Nai Kit, and the total equity interest came to 65%.

Below is a list of the consolidated equity investments with indication of the consolidation method used:

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

	HQ		Capital stock	Directly owned	Indirectly owned
Italian companies:					
• I.M.A. Industria Macchine Automatiche S.p.A.	Ozzano E. (Bologna)	EUR	18,772,000	Company	Parent
• CO.MA.DI.S. S.p.A.	Senago (Milan)	EUR	1,540,000	100%	–
• Info Area S.r.l.	Ozzano E. (Bologna)	EUR	98,800	100%	–
• Comitec S.r.l.	Castel S. Pietro T. (Bologna)	EUR	52,000	100%	–
Foreign companies:					
• Luxteco International S.A.	Luxembourg	EUR	3,600,000	99.99%	–
• Holteco B.V.	Amsterdam (NL)	EUR	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	Vienna (A)	EUR	280,000	100%	–
• IMA Verp. GmbH	Cologne (D)	EUR	90,000	100%	–
• IMA France E.u.r.l.	Rueil-Malmaison (F)	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	978,00	82%	–
• Tianjin IMA Machinery Co. Ltd.	Tianjin (PRC)	USD	200,00	65%	–
• IMA Pacific Co. Ltd.	Bangkok (Thailand)	THB	100,00,00	99.9%	–
• IMA Packaging and Processing Equipment (Beijing) Co. Ltd.	Beijing (PRC)	USD	850,000	100%	–
• Imautomatiche Lda	Madeira (P)	EUR	5,000	100%	–
• IMA Iberica Processing and Packaging S.L.	Barcelona (E)	EUR	590,000	100%	–
• Kilian GmbH & Co. KG	Cologne (D)	EUR	3,600,000	–	100% (3)

Note: (1) Owned by Holteco B.V. – (2) Owned by Luxteco Int. S.A. (99.38%) and Holteco B.V. (0.62%) - (3) Held by IMA Verpackungssysteme GmbH

**EQUITY INVESTMENTS
VALUED USING THE
EQUITY METHOD**

	HQ		Capital stock	Directly owned	Indirectly owned
• B.C. S.r.l.	Imola (Bologna)	EUR	36,400	30%	–

**EQUITY INVESTMENTS
VALUED USING THE COST METHOD**

	HQ		Capital stock	Directly owned	Indirectly owned
• IMA Lanka Ltd.	Colombo (Sri Lanka)	RSL	975,000	–	100% (1)
• Kilian Verwaltung GmbH	Cologne (D)	EUR	25,000	–	100% (2)

Note: (1) Owned by Holteco B.V. – (2) Owned by IMA Verpackungssysteme GmbH

The equity interest held in Kilian Verwaltung GmbH, whose value is not significant for the purposes of the consolidated accounts, was entered at cost. The book value of the subsidiary does not differ greatly from its net equity.

During 2003, IMA Lanka Ltd., a company owned by Holteco B.V., was put in liquidation. The investment was valued at cost, less permanent impairments. The winding-up procedures are not expected to generate charges large enough to merit disclosure in the financial statements.

D) OTHER INFORMATION

**INFORMATION BY
BUSINESS SECTOR AND
GEOGRAPHIC AREA**

In compliance with Consob's requirements, the notes to the consolidated financial statements include an appendix on the performance of the Group's most significant operating sectors (tea, processing and packaging).

In addition, revenues by geographical area do not differ greatly from those reported in the comments on the consolidated financial statements: the distribution by geographical area is provided in a relevant section of the comments on the statement of income.

**ADJUSTMENT TO THE
PREVIOUS YEAR'S FINANCIAL
STATEMENTS**

The consolidated financial statements have been properly adjusted to comply with the amendments and additions introduced by the Company Law Reform (Decree Law no. 6 of January 17, 2003 and subsequent amendments). The Company also reclassified the Provision for risks and charges relating to contract work in progress at December 31, 2003 to reflect a decrease in the value of inventories.

**TRANSITION TO THE INTERNATIONAL
ACCOUNTING STANDARDS
(IAS/IFRS)**

Based on Regulation (EC) no. 1725/2003 of the European Communities and as provided for by Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, European companies whose shares are traded on a regulated market are required to adopt IASs/IFRSs when preparing 2005 consolidated accounts.

On October 23, 2003, as part of the 2003 Community Law, the Chamber of Deputies enacted Article 25 giving the Government a proxy to apply the new international accounting and financial reporting standards also to the accounts of companies listed from January 1, 2005.

In order to pilot the transition to the new financial reporting standards, in the first half of 2003 the IMA Group formed ad-hoc work teams in which an active part is played by those in charge of the various company functions that will be more affected by the change.

During the first half of 2004, the Group continued to quantify the impact of the new standards on the accounts for 2004. On the basis of the work performed to date, as amply described in the notes to the consolidated financial statements for 2003, we believe that the new accounting standards will mainly impact the valuation of tangible and intangible assets, inventories, the provision for employee termination indemnities, and financial derivatives.

E) COMMENTS ON THE MAIN BALANCE SHEET CAPTIONS - ASSETS

All changes in balance sheet assets below have been calculated vis-à-vis the balances at December 31, 2003.

FIXED ASSETS

A) INTANGIBLE ASSETS

Below is the movement in intangible fixed assets during the first half 2004 (thousands of euros):

	Plant and enlargement costs	Indus. pat. and intell. prop. rights	Conc. lic. trademarks sim. rights	Goodw. and goodw. on consolid.	Assets under devel. and paym. on acc.	Other intangible assets	Total
Opening balance	874	549	4,783	34,484	587	1,712	42,989
Increases for period	–	113	185	–	1,575	283	2,156
Amortization	(193)	(193)	(815)	(2,539)	–	(296)	(4,036)
Reclassifications	–	10	(82)	–	(10)	82	–
Exchange difference	–	–	1	–	–	9	10
Balance at 06/30/04	681	479	4,072	31,945	2,152	1,790	41,119

“Plant and enlargement costs”, amounting to €681 thousand (€874 thousand at December 31, 2003), include:

- costs incurred during the previous period to establish IMA Pacific Co. Ltd. and IMA Packaging and Processing Equipment (Beijing) Co. Ltd.;
- costs incurred by the Parent Company in prior years in connection with the merger by incorporation of BFB S.p.A. and for the purchase of the business branches from ICO OLEODINAMICI S.p.A. and G.S. S.r.l. Coating System;
- charges due to the purchase of CO.MA.D.I.S. S.p.A. in 2001.

Plant and enlargement costs include €165 thousand to related parties.

“Concessions, licenses, trademarks and similar rights”, amounting to €4,072 thousand (€4,783 thousand at December 31, 2003), are made up of €2,048 thousand for application and operating software purchased through Info Area S.r.l., an IT service provider that works for the Parent and Group companies.

“Goodwill”, amounting to €13,205 thousand (€14,251 thousand at December 31, 2003), encompasses goodwill paid to purchase the business branch from ICO OLEODINAMICI S.p.A. (€2,856 thousand), CO.MA.D.I.S. S.p.A. business (€3,524 thousand), and the business branch from G.S. S.r.l. Coating System (€6,825 thousand), net of related amortization. These assets are amortized over ten years, which is deemed appropriate in view of their prospective profitability.

“Goodwill arising on consolidation”, amounting to €18,740 thousand (€20,233 thousand), includes the additional price paid over the net equity for the acquisition of BFB S.p.A. (€1,340 thousand), Kilian GmbH & Co. KG (€17,172 thousand) and Comitec S.r.l. (€228 thousand) during previous years. Goodwill arising on consolidation is the goodwill paid for those companies that possess valuable technical products and knowledge.

Goodwill arising on consolidation relating to BFB S.p.A. is amortized over ten years because its know-how and models currently under construction are expected to bring profits over a ten-year period.

During 2002 the amortization period of the goodwill arising on consolidation of Comitec S.r.l. was reduced from 10 to 4 years in light of the recent changes in Comitec's status, which reduced the useful life of the related goodwill.

The goodwill on consolidation of Kilian GmbH & Co. KG is amortized over fifteen years, because the business sector (tablet press machines), in which the company operates, is assumed to be much more stable due to its technological and competitive features, and the company has gained and consolidated a leading position from a long period.

"Assets under development and payments on account", amounting to €2,152 thousand (€587 thousand at December 31, 2003), refer to the capitalization of development costs incurred by IMA S.p.A. during 2003 and the first half of 2004 (€1,425 thousand). These costs mainly relate to hours spent on the design and internal manufacture and materials, and the manufacture of brand-new products for the pharmaceutical packaging and tea sector that due to their features may be classified as intangible assets.

It should be noted that the caption includes €205 thousand for the capitalization of the software being implemented through Info Area S.r.l.

Assets under development and payments on account encompass €313 thousand for advances to related parties for the acquisition of patents.

B) TANGIBLE ASSETS

Tangible assets increased by €447 thousand. Below are shown a breakdown and changes in tangible fixed assets during the period (thousands of euros):

	Land and buildings	Plant and machinery	Industrial and sales equipment	Other tangible assets	Assets under construc. paym. on ac.	Total
Opening balance	31,346	15,155	2,044	3,831	6,287	58,663
Increases for the period	667	996	606	1,325	406	4,000
Sales and eliminations	–	(55)	–	(141)	–	(196)
Depreciation	(494)	(1,648)	(399)	(933)	–	(3,474)
Reclassifications	922	518	297	172	(1,909)	–
Exchange difference	36	13	12	49	7	117
Balance at 06/30/04	32,477	14,979	2,560	4,303	4,791	59,110

"Assets under construction and payments on account" include €4,311 thousand for the expansion of the building located at Via Emilia 428/442, which is expected to become operational in the second half of 2004. The remaining portion chiefly relates to internal equipment under construction.

Reclassifications are mainly due to the completion, capitalization and depreciation of the new service center at Via Emilia 237, which entered into operation during the first half of 2004.

Increases for the period mainly relate to charges to extend and upgrade the existing buildings and plants, to purchase machinery and equipment for the production process of Group companies, and to acquire electronic machines.

Below is a breakdown at June 30, 2004 of the revaluations for the previous years (in thousands of euros):

Category	Revaluat. under Law 72/83	Revaluat. under Law 413/91	Other revaluat.	Total
Land and buildings	831	1,587	29	2,447
Plant and machinery	100	–	337	437
Industrial and sales equipment	48	–	55	103
Other tangible assets	8	–	98	106
Total	987	1,587	519	3,093
(less) Accumulated depreciation	(711)	(527)	(519)	(1,757)
Total	276	1,060	–	1,336

“Other revaluations” include the voluntary revaluation, made on the basis of a special appraisal, of fixed assets during 1988 by Nuova Zanasi S.p.A., a company merged with the Parent Company in 1990.

C) FINANCIAL ASSETS

INVESTMENTS

Investments comprise (thousands of euros):

	Ownership	06/30/2004	12/31/2003
Subsidiaries			
• Ima Lanka Ltd.	100%	0	0
• Kilian Verwaltung GmbH	100%	25	25
		25	25
Associated companies			
• B.C. S.r.l.	30%	488	388
		488	388
Other investments		71	71
Total		584	484

ASSOCIATED COMPANIES

Investments in associated companies rose by €100 thousand due to the increase in the book value of the equity interest in B.C. S.r.l. to its corresponding net equity value, in consequence of the net result for 2003.

RECEIVABLES FROM OTHERS

This item mainly includes receivables for advance payments of taxes on employee termination indemnities, and various guarantee deposits.

OTHER SECURITIES

These amount to €3,580 thousand (€3,641 thousand at December 31, 2003) and are made up of treasury and other bonds, as well as bonds held as pledges on loans. Securities connected with medium/long-term loans have been included under financial assets.

CURRENT ASSETS

A) INVENTORIES

Inventories may be broken down as follows (thousands of euros):

	Gross value	Writedown provision	Net value	Net value at 12/31/2003
Raw materials, supplies and consumable stores	14,159	(2,322)	11,837	12,079
Products in course of manufacture, and semi-finished goods	129,710	(13,028)	116,682	96,115
Contract work in progress	7,874	–	7,874	6,596
Finished goods	5,409	(1,613)	3,796	2,617
Advances	3,603	–	3,603	3,633
Total	160,755	(16,963)	143,792	121,040

The increase in inventories compared with the end of 2003 is chiefly the result of deliveries being concentrated in the second half of the year, a phenomenon that is typical of the industry that the Group serves, and to the rise in the Parent Company's "Contract work in progress".

Orders included within "Contract work in progress", fulfilled in accordance with customer specifications and spanning several years, are valued with reference to the compensation agreed in the contract of sale, and according to the percentage-of-completion method. Taking account of the terms of the sale contract and the current state of progress in the works at June 30, 2004, the Company satisfies the conditions set forth in the accounting standards it uses regarding the certainty of revenues from contract works in progress. With reference to contract works valued according to the percentage-of-completion method, the Company invoiced advances to principals totalling €4,410 thousand, which were classified as "Advances" under the liabilities of the balance sheet.

It should be noted that during the first half 2004 the Parent Company and Kilian GmbH & Co. KG allocated €1,013 thousand to the provision for the writedown of products in course of manufacture and €349 thousand to the provision for the writedown of semi-finished goods.

B) RECEIVABLES

CUSTOMERS

At June 30, 2004, receivables from customers decreased by €5,494 thousand compared to the end of 2003. The reduction reflects the inflow of payments in the period thanks to the extra attention paid by the Group to managing trade receivables. Receivables from customers due after one year relate to large orders for which customers have been allowed to defer payments. Delayed payments granted to customers living in particularly risky countries are secured by appropriate financial instruments.

There are no receivables from customers due after 5 years.

Receivables are stated net of a provision for bad debts amounting to €2,210 thousand (€2,133 thousand at December 31, 2003).

During the period, the Company assigned non-recourse receivables for a total nominal value of around €490 thousand. Total non-recourse receivables assigned during the 2004 semester not due at June 30, 2004 amounted to €3,242 thousand, of which €1,911 thousand transferred to factoring companies, and €1,331 thousand to other lenders.

The table below provides a breakdown of receivables by geographical area (thousands of euros):

	06/30/2004
Italy	12,642
European Union (excluding Italy)	27,315
Other European countries	3,399
North America	12,576
Asia	8,915
Other countries	6,326
Total	71,173

DEFERRED TAX ASSETS

At June 30, 2004 deferred tax assets due after one year are disclosed net for deferred tax liabilities of €2,688 thousand. At June 30, 2004 deferred tax assets due within the subsequent fiscal year are stated net of deferred tax liabilities of €225 thousand.

In particular, deferred tax assets mainly relate to the tax effects connected with taxed provisions recorded in the consolidated accounts and the tax effects due to the Group's unrealised earnings (included under closing inventories and intangible assets) derecognised from the consolidated accounts. Prepaid taxes include €357 thousand set aside in the previous year by IMA Verpackungssysteme GmbH due to the tax benefit connected with losses carried forwards. Deferred tax liabilities are mainly related to the tax effects due to the write-off of accelerated amortization/depreciation.

RECEIVABLES FROM OTHERS

Receivables from others rose by €554 thousand from December 31, 2003, chiefly because of higher advances to suppliers and amounts due from social security institutions.

C) CURRENT FINANCIAL ASSETS

OWN SHARES

At June 30, 2004 no own shares were held in portfolio.

CURRENT RECEIVABLES

The caption mainly includes short-term commercial papers totalling €299 thousand maturing in July 2004, and €110 thousand which corresponds to 14.56 million Japanese yen of the residual amount of a loan granted to IMA Tech Ltd., a concession-holder of IMA S.p.A. in Japan.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents fell by €31,346 thousand from December 31, 2003 as they were used to pay off short-term loans and as a result of a larger financing requirement during the period.

ACCRUED INCOME AND PREPAID EXPENSES

Accrued income and prepaid expenses rose by €1,179 thousand compared with their value at December 31, 2003. The increase is mainly the result of higher prepaid expenses on insurance premiums, discounts on currency forwards and options, and maintenance fees.

This item encompasses about €105 thousand of accrued income and €179 thousand of prepaid expenses due after June 30, 2005.

F) COMMENTS ON THE MAIN BALANCE SHEET CAPTIONS - LIABILITIES

All changes relating to balance sheet liabilities below have been calculated with respect to balances at December 31, 2003.

CONSOLIDATED STOCKHOLDERS' EQUITY

Changes in consolidated stockholders' equity are shown in the attached Appendix. The capital stock shown in the consolidated accounts at June 30, 2004 reflects the capital stock of the Parent Company, IMA S.p.A., fully subscribed and paid up, consisting of 36,100,000 ordinary shares with a par value of €0.52 each.

Below is the reconciliation between stockholders' equity and the net income/loss for the period resulting from the Parent Company's accounts and the corresponding consolidated results at June 30, 2004 of the Group (thousands of euros):

	Net income Stockholders' equity	(loss) of the Group
Amounts reflected in I.M.A. Industria Macchine Automatiche S.p.A. statutory accounts	76,641	8,372
Consolidation adjustments:		
a. Difference between book value and valuation according to the equity method of investments	10,059	(1,180)
b. Elimination of effects of tax differences on:		
• Accelerated amortization/depreciation	–	(3,923)
• Leasing operations	648	363
• Adjustments of balances in foreign currency	70	(469)
c. Elimination of infra-group dividends	–	(1,338)
d. Elimination of unrealized intra-group profits relating to:		
• Intangible assets	(393)	71
• Tangible assets	(20)	19
• Inventories	(5,172)	(81)
e. Allocation of deferred tax (liabilities) and assets mainly relating to the tax effect (where applicable) of consolidation adjustments	1,799	–
Net effect of consolidation adjustments	6,991	(6,538)
Amounts attributable to the Group resulting from consolidated accounts	83,632	1,834

PROVISIONS FOR RISKS AND CHARGES

Below is a breakdown of the provisions for risks and charges (thousands of euros):

	Balance at 12/31/2003	Accrued	Used	Exchange difference	Balance at 06/30/2004
Product guarantee	4,269	205	(293)	–	4,181
Agency termin. allowances	690	–	–	–	690
Personnel allowances	502	241	(3)	–	740
Other risk provisions	635	11	(97)	8	557
Total	6,096	457	(393)	8	6,168

The provision for product guarantee has been accrued to cover the estimated charges for technical assistance to be provided after June 30, 2004 on machines under warranty sold before that date.

The provision for personnel allowances includes the provision accrued by Kilian GmbH and Co. KG to cover future charges as required by German legislation on social security.

The other risk provisions have been mainly set aside to cover contingencies that might arise from the ordinary operations of the Group companies.

At June 30, 2004 two interest rate swaps were in place between the Parent Company and leading banks. These contracts regard interest rates on the current and estimated indebtedness in future years. In connection with these swaps the Company included accruals of €300 thousand made in 2001 and 2002 under the “Provision for sundry risks and charges” with the aim of adjusting them to a fair value.

In November 2003 Kilian GmbH & Co. KG stipulated an interest rate swap with a major German bank with maturity November 2004. This contract regards the interest rate underlying a minor portion of the company’s current debt. The adjustment of this swap to fair value would not have had a significant impact on the accounts for the period ended June 30, 2004.

PAYABLES

A) AMOUNTS DUE TO BANKS

Amounts due to banks are made up as follows (thousands of euros):

	Balance at 06/30/2004				Total at 12/31/2003
	Within 1 year	From 1 to 5	After 5 years	Total	
Overdrawn current accounts	7,549	–	–	7,549	1,919
Advances on exports	29,599	–	–	29,599	54,824
Loans for Applied Research and Technological Innovation	3,898	13,639	6,322	23,859	21,933
Other loans	17,988	28,388	–	46,376	40,121
Total	59,034	42,027	6,322	107,383	118,797

The decrease in amounts owing to banks is due to the same factors as those reported for cash and cash equivalents, which were used in part to repay short-term loans.

The net Group financial indebtedness is expected to improve in the second half of 2004.

Loans on Applied Research and Technology Innovation

Loan instalments falling due during the period were regularly repaid during the semester and totaled €1,717 thousand. The Parent Company received from INTERBANCA S.p.A. €3,643 thousand as second and third instalments of funding from the Ministry of University and Scientific Research (M.I.U.R.) and connected with the “Special Fund for Applied Research”. The total amount of the funding is €8,782 thousand, of which €7,318 thousand consist of a subsidized loan, and €1,464 thousand of a grant to cover expenses. The financing was allocated to an applied research program into the application of new design and manufacturing methods for the packaging of tea and herb teas into filter bags and coffee in pods, the manufacture of vertical sealed and controlled atmosphere cartons and the development of the related machinery. The loan will be reimbursed in 12 semi-annual instalments, from January 1, 2007 until July 1, 2012.

Other Loans

The most relevant changes in “Other loans” are due to the amounts reimbursed (€8,748 thousand) according to the contract terms, and new financing of €15,000 thousand, i.e. three new loans of €5,000 each granted to the Parent Company by Credito Emiliano (maturity March 2007), SanPaolo IMI (maturity March 2009) and Banca Intesa (maturity April 2009).

B) AMOUNTS DUE TO OTHER LENDERS

At June 30, 2004 the item mainly included €7,835 thousand for the leasing contract signed by Libra P.T. S.r.l., a company merged into IMA S.p.A., effective from January 1, 2004. The purpose of the contract is the leasehold of a land and an industrial building constructed on it and delivered in August 2003. The medium-term portion of the loan, amounting to €6,943 thousand, includes payables of €3,069 thousand due after 5 years.

C) ADVANCES

The caption encompasses advances from customers for supplies still to be delivered. Guarantees of about €13,520 thousand have been issued to cover advances collected. The increase in advances from December 31, 2003 is mainly due to the sizeable backlog to be carried out during the second half of 2004.

Advances were mainly collected from the following geographical areas: European Union (€13,700 thousand), North America (€6,912 thousand), Asia (€4,201 thousand), Italy (€2,008 thousand), and other countries (€4,724 thousand).

D) SUPPLIERS

During the period "Suppliers" rose by €6,647 thousand. The increase is mainly due to the performance of supplies, which is reflected in the rise in inventories for the supplies to be delivered during the second half of 2004.

The caption includes €3,249 thousand for amounts due to agents (€4,236 thousand at December 31, 2003).

Payables to suppliers also encompass €9,541 thousand for invoices transferred to a factoring company from the Parent Company's suppliers who informed IMA S.p.A. about their action. €6,490 thousand relates to payables that were originally due before June 30, 2004 for which a short extension has been granted (at December 31, 2003 these payables totalled €6,135 thousand).

It is worth noting that payables to Italian suppliers accounted for most of the trade payables (around 86%).

E) OTHER PAYABLES

Other payables increased compared with December 31, 2003 mainly as a result of a rise in the amounts due to employees for wages and salaries relating to holidays accrued, that will be taken in July - August.

The value of other payables at June 30, 2004 includes €108 thousand for the payable due to the acquisition of the 48% equity interest in Comitec S.r.l., which took place in 2001.

ACCRUED EXPENSES AND DEFERRED INCOME

Accrued expenses and deferred income fell by €165 thousand, mainly for the reduction in deferred income for technical assistance and interest income. Deferred income includes about €157 thousand maturing after June 30, 2005.

G) MEMORANDUM ACCOUNTS

**UNSECURED GUARANTEES
GIVEN**

This caption includes unsecured guarantees given for third parties' payables and bonds.

A) GUARANTEES

At June 30, 2004 the caption included: guarantees to customers (€6,390 thousand) for the proper operation of machines, bid bonds and advances not yet collected, insurance policies for VAT credit already collected (€490 thousand), guarantees in favor of the Municipalities of Bentivoglio (Bologna) and Ozzano dell'Emilia (Bologna) amounting to €610 thousand as a guarantee of proper construction, and guarantees to others of €942 thousand to secure leases, utilities, and various customs duties.

CONTINGENCIES

A) DISCOUNTED NOTES

At June 30, 2004 “Contingencies” included discounted notes of €2,832 thousand.

B) RECEIVABLES SOLD

Receivables sold amounted to €1,913 thousand and related to receivables sold with recourse, still outstanding at June 30, 2004.

COMMITMENTS

At June 30, 2004 commitments amounted to €61,487 thousand and consisted of €38,782 thousand for forward sale agreements priced in foreign currencies and options.

The caption includes €19,590 thousand for the commitment undertaken by Kilian GmbH & Co. KG to pay lease instalments for 15 years for the new offices and production facilities under construction by the lessor (the lease is expected to start from 2005), and other commitments of €3,115 thousand mainly for tenancy and leasing agreements.

Commitments largely increased with respect to December 31, 2003 mainly as a result of more forward currency sale agreements and options stipulated in connection with sale transactions, which will be finalized during the second half of 2004.

H) COMMENTS ON THE MAIN CAPTIONS OF THE STATEMENT OF INCOME

All the changes shown below refer to differences between the period under examination and the first half of 2003.

VALUE OF PRODUCTION

REVENUES FROM SALES AND SERVICES

Revenues from sales and services in the first half of 2004 break down geographically and by product type in the manner shown in the following two tables:

REVENUES BY GEOGRAPHICAL AREA

	1st half 2004	1st half 2003	Change	%
European Union (excluding Italy)	65,226	62,476	2,750	4.4
Other European countries	13,934	14,353	(419)	(2.9)
North America	29,252	33,821	(4,569)	(13.5)
Asia	16,936	11,182	5,754	51.5
Other countries	11,537	7,886	3,651	46.3
Total exports	136,885	129,718	7,167	5.5
Italy	12,317	12,168	149	1.2
Total	149,202	141,886	7,316	5.2

REVENUES BY TYPE OF PRODUCT

	1st half 2004	1st half 2003	Change	%
Machinery	112,291	106,651	5,640	5.3
Spare parts	22,396	21,001	1,395	6.6
Technical assistance	9,047	8,230	817	9.9
Other services	5,468	6,004	(536)	(8.9)
Total	149,202	141,886	7,316	5.2

The section on Group Performance provides an analysis of the sales revenues and the influence of the various geographical areas on the results and the performance by each product.

**FINANCIAL INCOME
AND CHARGES**

OTHER FINANCIAL INCOME

INCOME OTHER THAN ABOVE

This aggregate consists of the following items (thousands of euros):

	1st half 2004	1st half 2003	Change	%
Interest income from banks	159	105	54	51.4
Interest income on trade receivables	108	156	(48)	(30.8)
Grants on interest expense as per law 346/88	470	469	1	0.2
Other financial income	367	234	133	56.8
Tax credit on dividends	–	2,531	(2,531)	(100.0)
Total	1,104	3,495	(2,391)	(68.4)

The decrease in the total with respect to the corresponding period of 2003 is the result of the abolition of tax credits on dividends.

**INTEREST EXPENSE AND
OTHER FINANCIAL CHARGES**

INTEREST EXPENSE AND OTHER FINANCIAL CHARGES

The aggregate is composed of the following (thousands of euros):

	1st half 2004	1st half 2003	Change	%
Interest charges on debts to banks	1,800	2,234	(434)	(19.4)
Interest charges on discounts	124	223	(99)	(44.4)
Other financial charges	885	879	6	0.7
	2,809	3,336	(527)	(15.8)
Other interest expenses and charges to parent companies	6	–	6	100.0
Total	2,815	3,336	(521)	(15.6)

The decrease in interest charges on debts to banks is a result of the lower cost of borrowing in the first half of 2004, as well as the low average net indebtedness compared with the first half of 2003.

**EXCHANGE GAIN
(LOSS)**

This item is the net result of exchange rate gains amounting to €2,270 thousand (€3,396 thousand in the first half of 2003) and exchange rate losses of €2,819 (€3,760 thousand in the first half of 2003).

At June 30, 2004, the exchange gains and losses included unrealized gains of €1,154 thousand and unrealized losses of €1,156 thousand.

I) OTHER INFORMATION

**TRANSACTIONS WITH
RELATED PARTIES**

The statement of income for the first half of 2004 includes revenues of €1,282 thousand from related parties, referring for the most part to transactions with a company connected with the directors. The transactions, which were undertaken by the Parent Company, concern the sale of used machinery to the Group Parent for resale to Group customers. The consolidated statement of income includes accounts payable to related parties, principally directors, amounting to €3,151 thousand and referring mostly to the purchase of production goods, the delivery of consultancy services and rent. As a matter of course, Group companies also use the services of a travel agency controlled by Lopam Fin S.p.A. Travel costs invoiced by the agency to the Group in the period amounted to around €1,707 thousand.

The balance sheet at June 30, 2004 includes assets and liabilities with related parties totaling, respectively, €2,610 thousand and €2,318 thousand. The assets refer to related parties controlled by the company directors, while the liabilities mainly refer to the amounts due to the travel agency mentioned above.

Transactions with related parties are conducted on an arm's length basis and respect the economic interests of the Group.

WORKFORCE

In the first half of 2004, the IMA Group's average workforce numbered 2,438 as follows:

	1st half 2004	1st half 2003	All 2003
Managers	113	112	111
Clerks	1,578	1,521	1,537
Workers	747	749	752
Total	2,438	2,382	2,400

For the sake of clarification of the above, we note that "Managers" includes 52 managers from foreign-based Group companies who would be legally classified as "Clerks" in Italy.

APPENDICES
(TRANSLATION FROM THE ORIGINAL ISSUED
IN THE ITALIAN LANGUAGE)

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

APPENDICES

The following Appendices, which form an integral part of the notes to the financial statements, include supplementary information to that already contained in the notes to the balance sheet and statement of income. The information is contained in the following Appendices:

- Consolidated statement of income for 2nd quarter of 2004
- Net financial position at June 30, 2004
- Statement of changes in net consolidated stockholders' equity of the Group at June 30, 2004 (compared with balance sheet at December 31, 2003).

CONSOLIDATED STATEMENT OF INCOME FOR THE SECOND QUARTER OF 2004

(THOUSANDS OF EUROS)

STATEMENT OF INCOME	2nd quarter of 2004*	2nd quarter of 2003*	from 01/01/2004 to 06/30/2004	from 01/01/2003 to 06/30/2003
A. VALUE OF PRODUCTION				
<i>Revenues from sales and services</i>	99.984	85.816	149.202	141.886
<i>Change in inventories of works in course of manufacture, semi-finished and finished goods</i>	(1.712)	(1.418)	21.391	18.837
<i>Change in contract work in progress</i>	(138)	1.211	1.278	1.825
<i>Capitalization of internal construction costs</i>	787	90	1.107	171
<i>Other revenues and income</i>				
- operating grants	158	-	158	-
- sundry revenues and income	991	286	1.510	888
<i>Total other revenues and income</i>	1.149	286	1.668	888
TOTAL VALUE OF PRODUCTION (A)	100.070	85.985	174.646	163.607
B. PRODUCTION COSTS				
<i>Raw materials, supplies, consumable stores and merchandise</i>	33.912	28.569	64.901	61.516
<i>Services</i>	21.502	18.869	37.473	34.683
<i>Rent, leasing and similar costs</i>	1.343	1.316	2.659	2.587
<i>Personnel costs</i>				
- wages and salaries	20.484	19.519	40.957	39.369
- social security	6.031	5.636	12.082	11.518
- employee termination indemnities	1.088	1.078	2.170	2.075
- other costs	256	206	550	358
<i>Total costs of production</i>	27.859	26.439	55.759	53.320
<i>Amortization, depreciation and write-downs</i>				
- amortization of intangible assets	2.027	2.138	4.036	4.260
- depreciation of tangible assets	1.762	1.699	3.474	3.319
- write-down of current receivables	127	64	174	258
<i>Total amortization, depreciation and write-downs</i>	3.916	3.901	7.684	7.837
<i>Change in inventories of raw materials, supplies, consumable stores and merchandise</i>	(739)	565	247	358
<i>Provision for risks and other provisions</i>	68	460	216	677
<i>Sundry operating charges</i>	690	614	1.581	1.390
TOTAL PRODUCTION COSTS (B)	88.551	80.733	170.520	162.368
DIFFERENCE BETWEEN THE VALUE OF PRODUCTION AND PRODUCTION COSTS (A-B)	11.519	5.252	4.126	1.239

NET FINANCIAL POSITION AS OF JUNE 30, 2004

(THOUSANDS OF EUROS)

	06/30/2004	03/31/2004*	12/31/2003	06/30/2003
Net financial indebtedness	87,533	84,767	68,494	85,772
of which:				
• Cash and current financial assets	(24,152)	(30,906)	(55,294)	(45,828)
• Other fixed securities	(3,580)	(3,580)	(3,641)	(3,526)
• Short-term financial debts	59,939	58,454	75,865	86,506
• Medium/long-term financial debts	55,326	60,799	51,564	48,620

* THESE RESULTS ARE NOT SUBJECT TO ANY AUDITING

STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY

FOR THE PERIOD ENDED 30 JUNE 2004 - BASE OF COMPARISON BALANCE SHEET AS OF DECEMBER 31, 2003 (THOUSANDS OF EUROS)

Description	Capital stock	Share premium reserve	Revaluat. reserves	Legal reserve	Reserve for own shares	Other reserves	Exchange difference	Retained earnings (losses)	Net income of the Group	Total stock. equity
Balance at 12.31.2003	18.772	16.382	395	4.397	-	17.801	(1.413)	20.562	18.963	95.859
Effect due to merger of Libra S.r.l. and IT S.r.l. into I.M.A. S.p.A	-	-	-	(74)	-	(315)	-	389	-	-
Allocation of results for 2003 to:										
- dividends	-	-	-	-	-	-	-	-	(14.440)	(14.440)
- reserves	-	-	-	-	-	6.689	-	(2.166)	(4.523)	-
Sale of own shares	-	-	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-	-	-	-
Translation difference of fin. statements in foreign currency	-	-	-	-	-	-	379	-	-	379
Net income for the period	-	-	-	-	-	-	-	-	1.834	1.834
Balance at 06.30.2004	18.772	16.382	395	4.323	-	24.175	(1.034)	18.785	1.834	83.632

PARENT COMPANY'S FINANCIAL STATEMENTS
AS OF JUNE 30, 2004
(TRANSLATION FROM THE ORIGINAL ISSUED IN THE ITALIAN LANGUAGE)

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

BALANCE SHEET

AS OF JUNE 30, 2004 AND COMPARISON WITH JUNE 30, 2003 AND DECEMBER 31, 2003 (IN EUROS)

ASSETS	June 30, 2004	June 30, 2003	December 31, 2003
A. SUBSCRIBED CAPITAL			
UNPAID	–	–	–
B. FIXED ASSETS			
I. Intangible assets			
Plant and enlargement costs	249.455	407.732	312.231
Research and development costs	–	–	–
Industrial patent and intellectual property rights	470.733	545.684	530.510
Concessions, licenses, trademarks and similar rights	3.393.233	3.211.821	3.783.727
Goodwill	10.187.282	12.101.410	11.144.346
Assets under development and payments on account	2.184.983	449.534	586.830
Other intangible assets	1.461.737	1.806.220	1.375.748
Total intangible assets	17.947.423	18.522.401	17.733.392
II. Tangible assets			
Land and buildings	23.603.728	20.302.107	21.519.949
Plant and machinery	12.168.858	7.827.738	7.793.356
Industrial and sales equipment	1.492.037	520.428	670.760
Other tangible assets	2.210.383	1.402.385	1.266.248
Assets under construction and payments on account	4.745.052	6.433.177	6.044.605
Total tangible assets	44.220.058	36.485.835	37.294.918
III. Financial assets			
Investments in			
- subsidiaries	31.274.349	37.928.357	34.441.395
- associated companies	191.089	191.089	191.089
- other companies	69.366	69.213	69.213
Receivables from others	875.289	1.084.161	910.197
Other securities	3.564.417	3.412.529	3.625.970
Total financial assets	35.974.510	42.685.349	39.237.864
TOTAL FIXED ASSETS (B)	98.141.991	97.693.585	94.266.174
C. CURRENT ASSETS			
I. Inventories			
Raw materials, supplies and consumable stores	8.234.345	1.739.718	6.180.297
Products in course of manufacture and semi-finished goods	93.920.397	95.198.217	74.675.776
Contract work in progress	7.810.292	3.751.173	6.595.866
Advances	3.584.002	3.024.900	3.491.808
Total inventories	113.549.036	103.714.008	90.943.747
II. Receivables			
Receivables due after subsequent period			
- Customers	750.058	3.964.988	808.101
- Subsidiaries	9.152	6.088	6.958
- Prepaid taxes	5.179.993	3.970.340	5.067.979
Total receivables due after subsequent period	5.939.203	7.941.416	5.883.038
Receivables due within subsequent period			
- Customers	48.196.655	41.348.736	45.766.372
- Subsidiaries	28.851.993	29.629.777	37.375.538
- Associated companies	–	–	311
- Parent companies	–	–	2.689
- Tax credits	2.219.159	3.232.582	1.688.754
- Deferred tax assets	1.666.817	1.348.117	1.597.400
- Others	1.441.010	1.722.676	976.335
Total receivables due within subsequent period	82.375.634	77.281.888	87.407.399
Total receivables	88.314.837	85.223.304	93.290.437
III. Current financial assets			
Own shares	–	8.235.283	–
Other securities	167.054	403.736	339.814
Current receivables	109.974	99.371	126.501
Total current financial assets	277.028	8.738.390	466.315
IV. Cash and cash equivalents			
Bank and postal deposits	11.133.745	21.605.301	33.041.069
Checks, cash and cash on hand	80.260	400.740	80.500
Total cash and cash equivalents	11.214.005	22.006.041	33.121.569
TOTAL CURRENT ASSETS (C)	213.354.906	219.681.743	217.822.068
D. PREPAID EXPENSES AND ACCRUED INCOME	4.062.221	2.616.525	1.818.901
TOTAL ASSETS	315.559.118	319.991.853	313.907.143

BALANCE SHEET

AS OF JUNE 30, 2004 AND COMPARISON WITH JUNE 30, 2003 AND DECEMBER 31, 2003 (IN EUROS)

LIABILITIES	June 30, 2004	June30, 2003	December 31, 2003
A. STOCKHOLDERS' EQUITY			
I. Capital stock	18.772.000	18.772.000	18.772.000
II. Share premium reserve	16.382.013	16.382.013	16.382.013
III. Revaluation reserves	394.886	394.886	394.886
IV. Legal reserve	4.263.846	4.263.846	4.263.846
V. Reserve for own shares in portfolio	–	8.235.283	–
VI. Statutory reserves	–	–	–
VII. Other reserves	22.066.225	16.512.244	10.307.527
VIII. Retained earnings (losses)	6.390.201	6.390.201	6.390.201
IX. Net income for the period	–	–	20.920.495
Income before taxes for the period	8.372.188	4.898.902	–
STOCKHOLDERS' EQUITY (A)	76.641.359	75.849.375	77.430.968
B. PROVISIONS FOR RISKS AND CHARGES			
Provisions for taxes and deferred taxes	2.334.144	–	–
Other provisions	4.721.367	4.774.833	4.677.466
TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	7.055.511	4.774.833	4.677.466
C. EMPLOYEE TERMINATION INDEMNITIES	20.566.945	18.870.988	19.184.917
PAYABLES			
Payables due after subsequent period			
- Amounts due to banks	47.310.661	42.268.412	40.495.779
- Suppliers	102	2.712	9.679
- Subsidiaries	1.532.523	44.668	1.646.716
- Other payables	–	54.228	–
Total payables due after subsequent period	48.843.286	42.370.020	42.152.174
Payables due within subsequent period			
- Amounts due to banks	35.342.332	61.525.399	49.378.768
- Amounts due to other lenders	–	120.000	360.074
- Advances	21.420.884	22.847.917	22.107.283
- Suppliers	66.477.073	55.239.355	57.810.263
- Subsidiaries	19.763.661	18.715.828	23.576.286
- Associated companies	553.909	476.433	561.527
- Parent companies	6.060	–	13.791
- Taxes payable	1.179.695	2.890.521	2.307.401
- Social security institutions	1.668.957	1.496.935	2.854.392
- Other payables	12.238.080	11.243.926	7.523.462
Total payables due within subsequent period	158.650.651	174.556.314	166.493.247
TOTAL PAYABLES (D)	207.493.937	216.926.334	208.645.421
E. ACCRUED EXPENSES AND DEFERRED INCOME	3.801.366	3.570.323	3.968.371
TOTAL LIABILITIES	315.559.118	319.991.853	313.907.143
MEMORANDUM ACCOUNTS			
Personal guarantees granted	47.142.681	48.386.589	40.704.576
Contingencies	6.656.149	6.873.177	14.924.344
Commitments	44.522.589	44.059.873	21.543.251
TOTAL	98.321.419	99.319.639	77.172.171

STATEMENT OF INCOME

FOR THE FIRST HALF OF 2004 AND COMPARISON WITH THE FIRST HALF OF 2003 (IN EUROS)

	1st half 2004	1st half 2003	year 2003
A. VALUE OF PRODUCTION			
<i>Revenues from sales and services</i>	122.465.317	108.228.570	267.858.506
<i>Change in inventories of work in course of manufacture, semi-finished and finished goods</i>	17.348.412	14.832.187	-1.723.287
<i>Change in contract work in progress</i>	1.214.426	1.824.709	4.678.624
<i>Capitalization of internal construction costs</i>	1.067.983	164.600	1.600.421
<i>Other revenues and income</i>			
- operating grants	158.404	-	493.644
- other revenues and income	2.588.065	2.040.543	5.244.570
<i>Total other revenues and income</i>	2.746.469	2.040.543	5.738.214
TOTAL VALUE OF PRODUCTION (A)	144.842.607	127.090.609	278.152.478
B. COSTS OF PRODUCTION			
<i>Raw materials, supplies, consumable stores and merchandise</i>	54.953.704	51.788.387	98.102.761
<i>Services</i>	37.906.106	31.562.763	68.874.946
<i>Expenses related to the use of third party assets</i>	1.764.983	931.544	1.914.446
<i>Personnel costs</i>			
- wages and salaries	28.085.320	25.103.267	47.435.796
- social security	9.171.242	8.001.462	15.364.706
- employee termination indemnities	2.031.449	1.844.885	3.646.158
- other costs	170.612	137.536	294.530
<i>Total personnel costs</i>	39.458.623	35.087.150	66.741.190
<i>Amortization, depreciation and writedowns</i>			
- amortization of intangible assets	2.256.724	2.422.905	5.083.960
- depreciation of tangible assets	2.726.590	2.636.135	5.548.602
- writedown of current receivables	33.457	213.002	319.462
<i>Total amortization, depreciation and writedowns</i>	5.016.771	5.272.042	10.952.024
<i>Change in inventories of raw materials, supplies, consumable stores and merchandise</i>	-139.574	890.229	416.617
<i>Provision for risks</i>	166.957	631.853	1.019.437
<i>Sundry operating costs</i>	1.094.138	713.070	1.473.021
TOTAL COSTS OF PRODUCTION (B)	140.221.708	126.877.038	249.494.442
DIFFERENCE BETWEEN THE VALUE OF PRODUCTION AND PRODUCTION COSTS (A-B)	4.620.899	213.571	28.658.036
C. FINANCIAL INCOME AND CHARGES			
<i>Income from investments</i>			
- dividends and other income from subsidiaries	1.200.514	7.549.028	9.602.213
<i>Total income from investments</i>	1.200.514	7.549.028	9.602.213
<i>Other financial income</i>			
- from securities included under fixed assets other than investments	12.041	15.225	273.844
- from securities under current assets other than investments:			
gains	-	-	755.701
interest	2.826	7.982	15.129
- income other than the above			
interest income from subsidiaries	206.965	226.125	436.895
interest income from others	961.525	811.434	1.731.441
<i>Total other financial income</i>	1.183.357	1.060.766	3.213.010
<i>Interest expense and other financial charges</i>			
- interest expense and charges to parent companies	6.060	-	13.790
- interest expense to subsidiaries	-	-	17.468
- other interest expense and charges	2.177.826	2.658.890	5.581.031
<i>Total interest expense and other financial charges</i>	2.183.886	2.658.890	5.612.289
<i>Exchange gain (loss)</i>	-345.920	271.358	1.208.238
TOTAL FINANCIAL INCOME AND CHARGES (C)	-145.935	6.222.262	8.411.172
D. VALUE ADJUSTMENTS TO FINANCIAL ASSETS			
<i>Writedowns</i>	242.000	1.333.456	1.971.456
TOTAL VALUE ADJUSTMENTS TO FINANCIAL ASSETS (D)	-242.000	-1.333.456	-1.971.456
E. EXTRAORDINARY INCOME AND CHARGES			
<i>Extraordinary income</i>			
- gains on disposal of assets	-	-	45.290
- gains on sale of investments	-	-	2.633.526
- other extraordinary income	6.473.368	-	-
<i>Total extraordinary income</i>	6.473.368	-	2.678.816
<i>Extraordinary charges</i>			
- prior years' taxes	2.334.144	203.475	288.775
- losses on disposal of assets	-	-	97.132
<i>Total extraordinary charges</i>	2.334.144	203.475	385.907
TOTAL EXTRAORDINARY ITEMS (E)	4.139.224	-203.475	2.292.909
RESULT BEFORE TAXES	8.372.188	4.898.902	37.390.661
<i>Income taxes for the period</i>			
- current taxes	-	-	17.817.088
- deferred taxes	-	-	-1.346.922
<i>Total taxes</i>	-	-	16.470.166
NET INCOME FOR THE PERIOD	8.372.188	4.898.902	20.920.495

RECLASSIFIED STATEMENT OF INCOME

FOR THE FIRST HALF OF 2004 AND COMPARISON WITH THE FIRST HALF OF 2003 (IN EUROS)

Millions of euros	1st half 2004		1st half 2003		Change %
	Amounts	%	Amounts	%	
Net sales	123.77		110.06		12.5
Cost of sales	72.26		67.88		
Gross margin	51.51	41.6	42.18	38.3	22.1
R&D costs	7.90		7.93		
Sales and commercial expenses	20.07		15.81		
General and administrative expenses	17.96		16.41		
Operating profit before amortization of goodwill (E.B.I.T.A.)	5.58	4.5	2.03	1.8	174.9
Amortization of goodwill	0.96		0.96		
Operating profit	4.62	3.7	1.07	1.0	331.7
Net financial income (charges)	(1.35)		(1.33)		
Dividends	1.20		7.55		
Writedown of investments	(0.24)		(1.33)		
Accelerated amortization/depreciation	–		(0.86)		
Net extraordinary items	4.14		(0.20)		
Result before taxes	8.37	6.8	4.90	4.4	70.8
Income taxes	–		–		
Net income for the period	8.37	6.8	4.90	4.4	70.8
Gross operating profit (E.B.I.T.D.A.)	9.60	7.8	5.27	4.8	82.2

COMMENTS ON PARENT COMPANY'S FINANCIAL STATEMENTS

For an accurate reading of the financial statements of the Parent Company, it should be noted that as of January 1, 2004 IMA S.p.A. merged with two target companies, Libra P.T. S.r.l. and Ignition Team S.r.l.

The financial statements of the Parent Company eliminate adjustments and accruals that were made in the statement of income of prior years exclusively for the purposes of compliance with tax regulations, as recommended by Document No. 1 of the Italian Accountancy Body. The elimination of items affected by the above-mentioned differences between tax regulations and accounting standard treatment is made manifest in a summary schedule, which we show below.

	06.30.2004
thousands of euros	Result for the period
Net income for period	8,372
Elimination of differences between tax and accounting treatment (gross of deferred taxes):	
Overaccruals (IMA SpA)	(6,203)
Overaccruals (merged companies)	(225)
Gross tax differences	(6,428)
Deferred taxes	2,334
Total differences (net of deferred taxes)	(4,094)
Net income for period without adjustments between tax and accounting differences	4,278

The financial statements relating to the prior financial year have been adjusted to comply with the amendments and additions introduced in the Company Law Reform (Decree Law No. 6 of 17 January 2003 and subsequent amendments). The Company also reclassified the Provision for risks and charges relating to contract work in progress at December 31, 2003 to reflect a decrease in the value of inventories.

REPORT OF THE INDEPENDENT AUDITORS
ON THE REVIEW OF THE SIX-MONTH REPORT
(TRANSLATION FROM THE ORIGINAL ISSUED IN THE ITALIAN
INTO THE ENGLISH LANGUAGE SOLELY FOR THE CONVENIENCE
OF INTERNATIONAL READERS)

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



PricewaterhouseCoopers SpA

**AUDITORS REPORT ON THE LIMITED REVIEW OF IMA SPA INTERIM
FINANCIAL REPORTING FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2004**

To the Shareholders of
IMA SpA

1. We have performed a limited review of the interim financial reporting of IMA SpA for the six months period ended 30 June 2004, consisting of consolidated balance sheet, income statement and related comments notes and balance sheet and income statement for holding company. We have also ensured that the management discussion and analysis is consistent with other information in the interim financial reporting.
2. Our work was carried out in accordance with the procedures for a limited review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with deliberation n° 10867 of 31 July 1997. The limited review of the interim financial reporting of a subsidiary which, at 30 June 2004, reflected total assets constituting 8,4 per cent of consolidated assets and sales revenues constituting 7,2 per cent of consolidated sales revenues has been performed by an other auditor who furnished us with the related report. The limited review consisted principally of inquiries of company personnel about the information reported in the interim financial reporting and about the consistency of the accounting principles utilised therein with those applied at year end as well as the application of analytical review procedures on the data contained in the interim financial reporting. The limited review excluded certain auditing procedures such as compliance testing and verification or validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual statutory and consolidated financial statements, we do not express a professional audit opinion on the interim financial reporting.

Regarding the comparative data related to the annual consolidated financial statements and to the interim financial reporting of the prior year, reference should be made to the reports issued by other auditors and dated 26 March 2004 and 11 August 2003 respectively.

3. Based on our review no significant changes or adjustments came to our attention that should be made to the interim financial reporting identified in paragraph 1 of this report, in order to make them consistent with the criteria for the preparation of interim



financial reporting established by article 81 "half yearly report" of CONSOB Regulation approved by Resolution n° 11971 of 14 May 1999 and subsequent modifications.

4. As reported by the Directors, IMA SpA has adopted faculty allowed by item 7 of article 81 of the above cited CONSOB Regulation and accordingly has presented the consolidated results for the period gross of taxes.

Bologna, 9 August 2004

PricewaterhouseCoopers SpA

Signed by
Roberto Megna
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation.